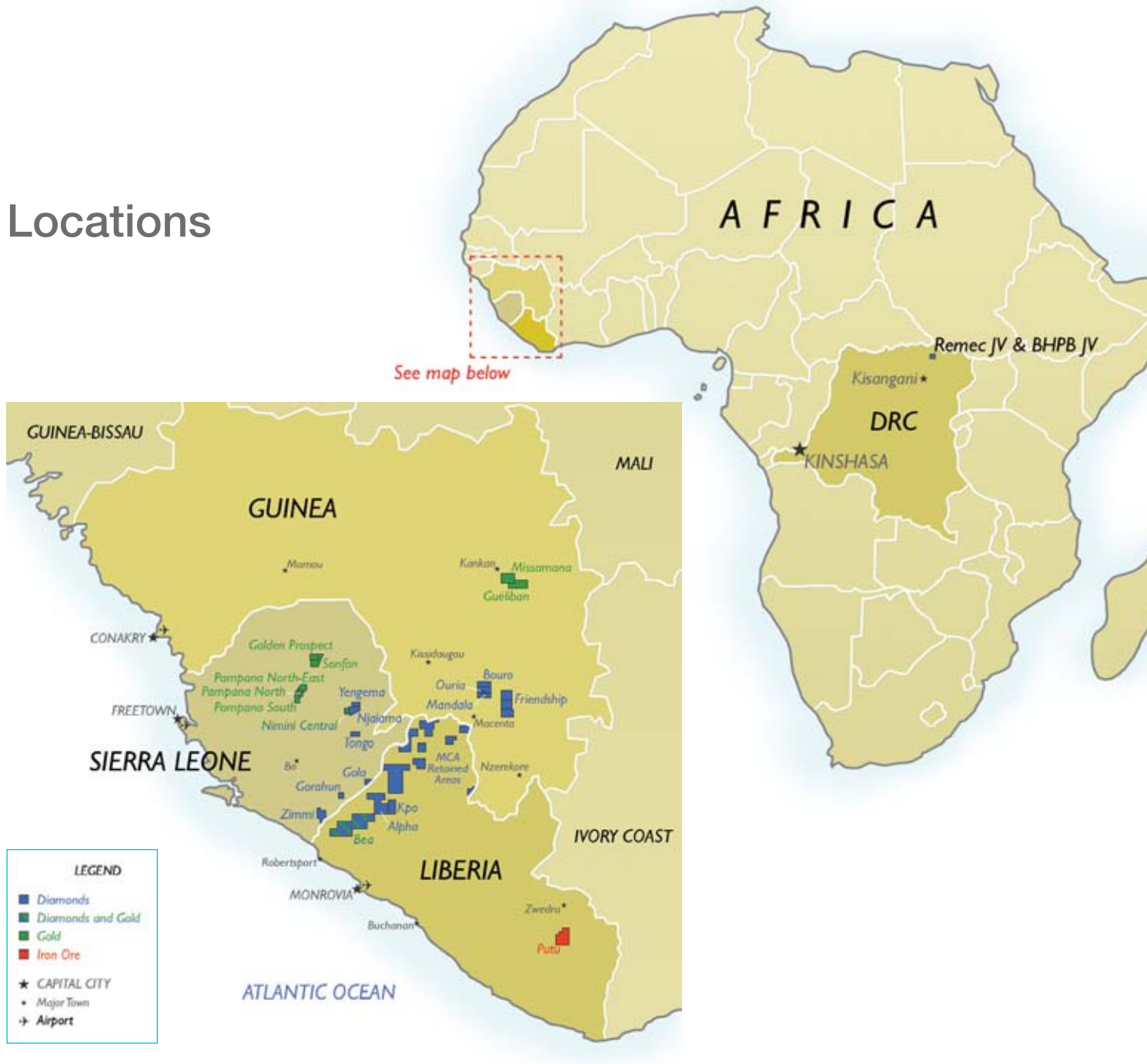


Mano River Resources Inc.

Annual Report 2007

 Mano River
Resources Inc.

Locations



Profile

Mano River Resources is an exploration and development company focused on the discovery of world-class gold, diamond and iron ore deposits in highly prospective Liberia, Sierra Leone, Guinea and DRC. The Company has a highly motivated and experienced team with a record of discovering mines and taking projects into production. Mano’s current key projects are the New Liberty Gold Project in Liberia, the Putu Range Iron Ore Project, also in Liberia, the Mandala Alluvial Diamond Project in Guinea and the Kono “Lion” Kimberlite Dykes Project in Sierra Leone. Mano also has a number of other promising projects which it plans to advance and develop in the short to medium term.

A pioneer Company in West Africa, Mano has attracted some excellent strategic partners, particularly on the Company’s diamond properties, always with the objective of preserving or enhancing shareholder value.

The planned listing of Mano’s subsidiary Stellar Diamonds Ltd. on the London Stock Exchange’s AIM in 2008 is the next major milestone and one that will help unlock further value for the Company’s shareholders.

Mano is listed on the TSX-V exchange in Canada and on AIM in the United Kingdom.

Highlights

In 2007

- Positive feasibility study for the New Liberty Gold Project in Liberia.
- Stellar Diamonds raises £5M pre-IPO Financing and is capitalised at £24.5M.
- Highly encouraging diamond grades from underground trial mining at the Kono Project in Sierra Leone.
- Targeting potential resources of 900MT at the Putu Range Iron Ore Project in Liberia.
- Change in management to oversee the next stage of development: David Evans appointed Executive Chairman, Luis da Silva appointed President and CEO.

To date in 2008

- A new drill programme was completed at the New Liberty Gold Project with the key aim of significantly increasing the resource.
- Stellar Diamonds closed a £2.4M pre-IPO Financing.
- Environmental Impact Assessment performed and drilling commenced at the Putu Range Iron Ore Project.

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Chairman's Statement



David B. Evans
Chairman

In order to provide a sustainable future, the Company has undergone some significant and strategic changes in 2007. At the beginning of the year, the Board decided that in order to unlock the value in the Company, it would be advantageous to place the most advanced and compelling diamond assets into a new company named Stellar Diamonds Limited, and list this company on the Alternative Investment Market (AIM) of the London Stock Exchange. This process has been ongoing and if not for market conditions in late 2007, the Company would have listed. The present timing for the IPO is at the end of Q2 2008 but will depend on market sentiment. Stellar was successful with two pre-IPO fundraisings in 2007, raising £5M gross and another fundraising in March 2008, which amounted to £2.4M gross. This has enabled Stellar to become self-reliant, leaving Mano to only fund its Gold and Iron Ore divisions.

Gold Division

Our main focus over the past year has been on the New Liberty Gold Project in Liberia. When I took over the role as Executive Chairman in October, my first task was to review this project and make recommendations to the board. We agreed that there was a need to define an operation with a longer mine life than that envisaged in the feasibility study. The original strategy was to mine the deposit and to examine its underground potential after start-up. This strategy had not taken into account the potential understated value of the ore resource in the overall financial evaluation. The new strategy was to examine the underground potential of the operation by conducting a 2,688m resource/reserve delineation diamond drilling programme, which was completed in March 2008. This programme included a number of deeper holes down to depths of 500-600 metres.

This programme is expected to change the project scope to an underground mining operation and will give a clear indication on the continuity of the deposit at depth, along with a resulting increase in the resource. This is a significant step forward as we look to add value to the Company's assets before moving ahead with development operations.

In addition, exploration was conducted on the Mineral Cooperation Agreement, a 15,000 km² licence area in western Liberia, to identify new gold targets and increase the reserve base over time. We have recently commissioned The Mineral Corporation of South Africa to examine and provide opinions and targets on the overall licence area; this work became available at the end of Q1 2008. Based on the amount of artisanal workings within the licence area, we are confident other suitable gold targets will be discovered.

I have been describing 2008 as the year of gold. This conclusion is not based on vision; it's based on the fundamentals and the fact that gold has not had the same price run as the other commodities. For this reason, we need to move quickly in order to take advantage. The objectives for 2008 are to redefine the resource at New Liberty and initiate a new feasibility study, as well as start the exploration work that will come from The Mineral Corporation data assessment report.

Diamond Division - Stellar Diamonds

As mentioned earlier, Stellar has been successful in raising £7.4M gross and Mano remains the largest shareholder with 63% of the issued share capital. Proceeds have been used to procure the plant for the Bouro/Mandala project in Guinea, to advance additional diamond exploration and maintain Stellar's equity interests in joint venture projects.

Stellar has been successful in advancing a

number of key projects. Most significant progress has been made in Sierra Leone, where the Kono joint venture project with Petra Diamonds has moved into underground trial mining with good grades achieved to date. Valuations on the stones produced should be announced shortly. Petra Diamonds, the operator, has announced their satisfaction with the trial mining.

In respect of grades of the kimberlite pipes tested, the joint venture with Trans Hex in Liberia has not yet produced the required results. However, exploration continues on this highly prospective licence with the objective of discovering additional diamondiferous kimberlite pipes.

The 100% owned Mandala project, an alluvial deposit in Guinea, has made considerable progress. The remaining 50% was acquired in June 2007 from SearchGold Resources. A DMS plant is now under construction with the mining equipment already in the country.

Finally, two exploration joint ventures in the DRC were signed at the end of 2007: one with BHP Billiton World Exploration and another with the local company Remec Sprl. The areas under licence look very prospective, with a significant amount of artisanal mining having taken place.

Iron Ore

With the present "boom" in the worldwide search for iron ore, the Putu Range Iron Ore Project in eastern Liberia takes on a whole new meaning and the Company will be exploring ways to advance this project in the medium term. Consultants SRK were engaged in 2007 to study the Putu Range based on previous work conducted in the 1960s and on observations made during their site visits. Their findings concluded a potential resource of up to 900 million tonnes in Mt. Jideh ridge. Previous work concentrated on mining an adit into the

side of this ridge with only 8 drill holes completed. The adit has been rehabilitated with sampling along the 200 metre length, and results are expected in Q3 2008. A 4000 metre resource and grade delineation drilling program will be performed in the first half of 2008 on the eastern zone of Mt Jideh, following the release of the new rig from New Liberty. Drilling is expected to be complete before the West African rainy season starts. This drill program will give the first indication on the depth of the hematite to the magnetite interface, resulting in an indication of the potential hematite resources.

This project will require substantial amounts of capital in order to bring into operation. This is why the Company is considering different avenues available in order to take it beyond the first drilling phase. We would expect to be sharing this detail with our shareholders in 2008.

Corporate

In October 2007, the Company made a number of changes to its leadership team. I was appointed Executive Chairman and Luis da Silva became President & CEO. The previous incumbents, Guy Pas and Tom Elder both retired and accepted non-executive positions on the Board. Both of these individuals have had long careers with the Company, particularly Guy as founder. The Board has immensely appreciated their commitment over the years. As a consequence, the number of Board members was also reviewed, resulting in Anthony Rhatigan, Karl Smithson, Rod McKeen and Steven Poulton resigning at the end of the year. I thank them for their contribution and support to the Company. There has also been considerable change to the management team of Stellar Diamonds Ltd. Karl Smithson, appointed CEO of Stellar Diamonds in early 2007, was joined by Lord

Peter Daresbury in January 2008 as Non-executive Chairman, in preparation for the IPO by mid-2008.

Since accepting my present post, I am often asked: "Why Mano River?" During my deliberations, I always come to the same conclusion: good assets with a significant upside to be gained from a low share price. The Company is often described as the old man of the AIM mining sector, the share price differing little from when it first listed. The fact that the exploration was essentially based in Sierra Leone and Liberia placed the Company in a precarious position during the years of conflict in both countries. However, with the assets now identified, what is required is to unlock the potential of the Company and realise the value of these assets.

If possible, I would like to archive the history and proceed with developing the Company's future in order to extract its true value. I envisage 2008 as a very challenging year, a year to build a platform for the future. In summary, our objectives are:

- Stellar Diamonds: Lead a successful IPO in 2008.
- Gold: Redefine the resource and scope the New Liberty Gold Project as an underground mine.
- Iron Ore: Complete the planned drill program and evaluate the results. Consider the options available to enable the completion of a bankable feasibility study on the Putu Range Iron Ore Project.
- Finance: Ensure the Company is adequately capitalised to implement our strategies.



David B. Evans

CEO's Review



Luis da Silva
President & CEO

As you will have read from the Chairman's statement, much has taken place during the past year. When I look back on 2007, it can only be described as a year of significant change and consolidation and as we have sought to build a strong platform from which the Company will move forward into 2008 and beyond.

From a corporate perspective there have been some fundamental changes. The Company rejuvenated the structure in the form of senior personnel appointments, established a base closer to its main shareholders and stakeholders, changed its various advisers and it held its first ever Annual General Meeting in London, with the aim of preparing the Company for the next phase of growth as we look to rapidly advance the Company's assets and increase Mano's presence.

The three divisions have moved ahead. A bankable feasibility study was delivered for the gold at the New Liberty Gold Project. The structure of Mano's diamond division was reorganised to create "Stellar Diamonds Ltd." (Stellar). Progress has also been made on Mano's iron ore division with the Company having completed its collation of historical data. This resulted in commissioning SRK Consultants to visit the site and capture this in an independent report. The result was a significant upgrade from the historical resource of 455 million tonnes to reasonably target 900 million tonnes given the continuity of the geological structure.

Mano, I am confident, is now positioned to create shareholder value on a continuous and sustainable basis, which is ultimately our responsibility as directors.

The second half of the last calendar was a tumultuous one wiping many billions off stock exchanges around the world. The first quarter of 2008 did not fare much better. The resilience of the resource sector, however, was

maintained with the likelihood of corporate activity ensuring further consolidation.

The challenge for a junior, however, has always been funding on the one hand versus attractive targets, normally in developing economies on the other. Mano was a pioneer in this respect working in its chosen countries at a time of much hardship. Our chosen countries are now showing great promise from a development point of view, with mining licences being taken up in droves by the late majority, giving Mano a first mover advantage.

This is the reason why 2007 was also a year of consolidation. The company was not required to chase new assets but needed to refine its focus and convert effectively those already in its portfolio. As a fledgling company on AIM at the time of the reverse take-over in 1998, Mano was one of a few resource stocks. Today the number approaches 200 with a number of new companies constantly considering an AIM listing vying for the same pot of existing funds.

So how can a company our size differentiate itself from others to secure new investors? The answer is sometimes to just simply be different but different is not always enough. The Company has to deliver where others do not. This is what Mano will do through Stellar in the first instance, when it becomes a producer. With two extremely different but valuable projects in their own right in Sierra Leone (Kono), and in Guinea (Mandala), the Company will succeed in transforming itself from a pure explorer to a company that has the ability to deliver in terms of development and production. It is a significant milestone and one that will be realised later in 2008. Stellar will also increase its independence from the parent company when it realises its flotation on AIM. This will not only create value for the new

shareholders in Stellar but will provide transparent value to Mano, enabling the analysts evaluating stocks to review the value upside in the Company's share price. Mano's diamond division had the most advanced portfolio and the ability to become a standalone entity. With its increasingly separate management with the synergies of being a subsidiary company, Stellar is well on the way to its independence. As of the 31st March 2008 when the latest private placement closed, Stellar became capitalised at over £30 million, greater than the current market capitalisation of its parent. We expect the re-rating of Mano to take place post Stellar's listing on AIM.

The iron ore division is the next division to have the potential to become a standalone entity, should Mano view this as beneficial to the Company's shareholders and consistent with the Company's strategy. The heightened activity in this segment of the sector and the 50% plus price increases that are being experienced make this commodity one of the most attractive in the resource sector today. As existing operating mines deplete their reserves the interest turns to the more remote and the more greenfield projects. The focus has shifted to securing capacity and delivery further down the line, perhaps in five years, perhaps in ten. The Putu Range Iron Ore Project fits into this category.

This project will ultimately require capital expenditure in excess of US\$1 billion. A junior company such as Mano would therefore require assistance to develop a project of this size through to production. There will be a need to finance beyond the existing drilling programme and much like Stellar, create autonomy from a managerial perspective and an operational point of view. The bringing together of the appropriate resources and know-how will enable Mano

to again deliver by fast-tracking the Putu Range Iron Ore Project through to the production of iron ore. Ahead of this, of course, much work will be required in the form of drilling, pre-feasibility study and ultimately the completion of a definitive feasibility study. This will be a massive infrastructure project potentially involving up to 120 kilometres of railway line, a port to be developed and a mine to be built. Based on some of the current multiples being used in transactions for iron ore projects, African Iron Ore Group, Mano's 80% owned subsidiary, is well placed to create further see-through value for Mano, which should ultimately translate into a stronger performance in the share price.

Finally, exciting progress has been made on Mano's gold assets accompanied by a strong strategic review of operations in this division. Having established a resource at the New Liberty Gold Project and Weaju, the company still believes it is imperative to grow the ounces it has categorised and create further value for the Company. This will be performed with further financing on the targets established within the Bea licence. There are some extremely encouraging targets and after review with the consultants, The Mineral Corporation of South Africa, the Company intends to drill these gold rich anomalies extensively.

The combination of the above elements ensures that the springboard is set for defining the programmes per division beyond 2008. On this basis, the Group will deliver value for its shareholders.



Luis Guilherme Cabrita da Silva



Gold Operating Review



Rig mobilisation to Larjor

Mano is exploring attractive gold targets in Liberia, Sierra Leone and Guinea. Of these, the most advanced is the New Liberty Gold Project ('NLGM') in western Liberia. NLGM lies within a 1,000km² combined exploration and mining licence termed a Mineral Development Agreement ('MDA') in Grand Cape Mount County, western Liberia, 100km North West of Monrovia.

In January 2007 Mano announced the results of a feasibility study on an open pit operation at NLGM. Earlier, in October 2006, the Company had announced that the estimated gold resource at New Liberty had been increased to 1.4 million ounces (13.533 million tonnes of measured and indicated resources grading 3.18 g/t). The proven and probable reserve figures set out below were arrived at in the context of the feasibility study having focused on the open-pit gold mineralisation only.

Highlights of the Feasibility Study

| | |
|-------------------------------|---|
| Proven and Probable Reserves: | 4.6 million tonnes grading 3.9 g/t gold |
| Contained Gold: | 573,000 ounces |
| Recovered Gold* | 532,000 ounces |
| Production Schedule: | 8 years from 3 pits |
| Average annual production: | 68,000 ounces |

* Open Pit only

The initial capital cost of \$59 million included the sum of \$4.7 million in pre-production operating expenditure, while operating costs

were expected to average \$35 per tonne of ore. On the basis of a gold price of \$600 per ounce, the Internal Rate of Return (IRR) of the project was 72%. At a gold price of \$650 per ounce the IRR is 93%. In response to a steadily escalating gold price, which at the time of writing is \$916 per ounce, a potentially longer life underground operation becomes increasingly attractive. A decision was undertaken to commence further drilling at NLGM. A high capacity drill was purchased and in January 2008 a 2,688m resource/reserve delineation diamond drilling programme started. The objectives were to enable mineral resources currently classed as 'indicated' to be reclassified as 'measured', and to substantially increase the overall resource base with an associated increase in mine life. The Company concluded that, whilst this postpones the expected production time at the site, the economic attractiveness and value of the project is considerably improved.

The two-phase drilling programme comprised a series of close-spaced drill holes at a depth of 200-300m, together with two deeper holes drilled to 500-600m below surface to test for deep extensions to the mineralisation. Shear-controlled gold deposits of Archaean age, like NLGM, are typically characterised by a considerable third dimension at depth, which has yet to be investigated at NLGM. The results of this programme will be made public upon receipt of the analysis and interpretation.

The Company has also commissioned The Mineral Corporation of South Africa to conduct an in-depth review of the entire exploration database for the Company's licence area with a view to defining further gold targets, potentially capable of development into satellite deposits to NLGM. Any targets emerging from the study would be in addition to the Weaju and Gondoja satellite deposits in the centre and east respectively of the Bea MDA, where drilling has already taken place with encouraging results.

Three phases of drilling have been carried out at the Weaju property, for a combined total of 48 generally shallow holes. The area continues to be one of very active artisanal activity, with the local miners winning gold from both alluvial and hard rock sources. The host rocks to the gold mineralisation are similar to those at NLGM, i.e. ultra-basics hosted by granitic gneisses of Archaean age, but the area is structurally much more complex and the gold grades more variable hole-to-hole. The drilling programme planned will focus on defining in the first instance an open-pittable reserve, with a view to Weaju becoming a possible source of mill feed to the NLGM mine, 30km away to the west.

At Gondoja, close to the eastern boundary of the Bea MDA,



investigation is still at an early stage. Only five holes have been drilled to date, but one of these intersected 36m grading 3.3g/t gold. Artisanal mining activity has been increasing in the vicinity of Gondoja, an encouraging development since it greatly assists in prioritising drill targets.

In neighbouring Sierra Leone, Mano's gold programme is being performed by Golden Star Resources ('GSR') of Canada as Operator under a joint venture agreement. Focusing currently on the Sonfon district at the northern end of the Sula Mountains Archaean greenstone belt, GSR is currently engaged in drill testing a number of high priority regional soil geochem gold anomalies, with results expected to be announced shortly.

Finally, Mano's joint venture partner over the Missamana and Gueliban licences in eastern Guinea, Navasota, decided to withdraw in the latter part of 2007 but nevertheless reported encouraging results from the drilling they carried out under the joint venture, including 1.73 g/t gold over 24m, 6.20 g/t gold over 8m, and 43.97 g/t gold over 4m. Discussions are at an advanced stage with a potential new partner interested in further investigating these licences.



Drill rig set up at NLGM



Diamond Operating Review



Plant at Weasua

Introduction

2007 was a year of significant restructuring, progress and value creation for the diamond division of Mano. The Mano Board made the strategic decision to create a diamond focussed company, called Stellar Diamonds Limited ("Stellar"), into which all of Mano's diamond interests were vested in return for shares in Stellar. During the year there were two tranches of financing, totalling £5M gross, primarily from UK institutions. A further pre-IPO financing took place in March 2008 raising £2.4M gross giving Stellar a pre-cash market capitalisation of £30.5M. Post-financing, Mano's holding in Stellar is 63%, representing an implied valuation of £19.2M.

Stellar's CEO Karl Smithson (previously COO of Mano's diamond division) commented that the intention is to list Stellar on London's Alternative Investment Market (AIM) during the course of 2008. Mano is expected to retain close to a 50% shareholding after Stellar's planned IPO and financing.

Key Activities

During the year Stellar continued to advance its key near-term production projects at Kono in Sierra Leone and at Mandala in Guinea. In addition, a number of key exploration projects were advanced, including the bulk sampling of diamondiferous kimberlites at Weasua, Liberia and the Tongo and Bouro projects which have now reached the mini-bulk sampling stage.

Kono Project (49% interest)

The Kono project, located in the east of Sierra Leone, is Stellar's most advanced project. The project is a joint venture with AIM listed diamond producer Petra Diamonds Limited ("Petra"). Stellar holds a 49% funding equity interest in the project where Petra is the operator and manager.

Underground trial mining and bulk sampling is being conducted on two kimberlite fissures at the Pol-K and Bardu shaft sites. The Pol-K shaft is at 65.5m depth where kimberlite stoping is due to commence, whereas the Bardu shaft is at 45m, but is being advanced to 60m. At the 30m level on both shafts kimberlite was extracted from development drives along the strike of the kimberlite fissures. The in-situ grades (+1mm) of the Pol-K and

Bardu kimberlites are currently calculated to be 65cph and 67cph respectively. A total of 975 carats of diamond have been recovered to date, with the largest diamond being a 10.55 octahedral stone. Although the diamond value remains to be determined with confidence it is expected that a value of \$200 per carat can be achieved from a run of mine operation.

It is hoped that a positive production decision will be announced by Stellar's joint venture partner in mid-2008.

Mandala Project (100% interest)

The Mandala alluvial project in southeastern Guinea is 100% owned by Stellar, but subject to a 15% net profit interest payable to local Guinean partners once all capital, development and operating costs have been recouped.

The indicated diamond resource has been independently established to be 536,000 carats at an estimated in situ grade of 38cph and an expected diamond value of at least \$65 per carat. Stellar has commissioned the construction of a 100tph DMS processing plant in Cape Town, South Africa, which is expected to be completed in May 2008. The mine fleet was purchased and shipped to Conakry in December 2007. The total capital cost of the project will be approximately \$5.2M, half of which has now been spent.

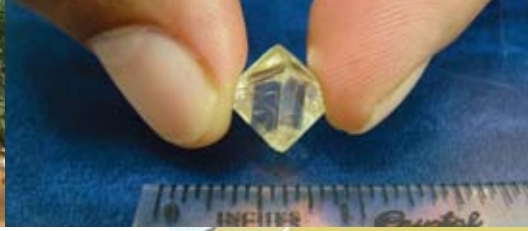
The current project schedule has the initial on site plant commissioning for Q4 2008, soon after which the first diamonds will be produced. Diamond production is expected to be approximately 10,000 carats per month once the plant is in full production.

Weasua Project (50% interest)

The Weasua project, located in western Liberia, is a 50:50 JV with South African diamond producer Trans Hex Group. Bulk sampling of five diamondiferous kimberlite pipes was conducted, whereby some 5,000 tonnes of kimberlite were processed via a 5 tonne per hour DMS plant established on site. A total of 167 carats of diamond (+1mm) were yielded, with the largest diamond recovered being a stone of 3.34 carats. Although these pipes represent significant tonnage potential, it is clear that the grades are likely to be sub-economic. Exploration continued in the licence area and new kimberlite discoveries are expected. Depending on the diamond potential, any new pipes may be subjected to bulk sampling.

Tongo Project (100% interest)

The Tongo project, located in south Eastern Sierra Leone, was the focus of exploration for the Stellar – BHP Billiton JV. Ground geophysical surveys, soil sampling, 1000m of core drilling and a



microdiamond sampling programme were all conducted over four high grade diamondiferous kimberlite dykes. An independent diamond expert estimated commercial grades (+1.18mm) in excess of 500cph from these dykes, thus justifying the requirement for a mini-bulk sampling phase to determine with more accuracy the diamond grades and values for these kimberlites. The historical diamond value for the Tongo dykes is estimated to be over \$175 per carat, which if proven would indicate that these high grade dykes have economic potential.

In March 2008, BHP Billiton withdrew from the Sierra Leone joint venture with Stellar. BHP Billiton spent over \$3.3M on exploration in this JV and retains no equity or royalties in any of the projects.

Bouro Project (100% interest)

The Bouro project, located in south Eastern Guinea, is 100% owned by Stellar. A number of diamondiferous kimberlite dykes are known in the licence area, with the 5km long Bouro North Dyke being of most interest. Previous exploration by De Beers established a diamond grade of approximately 500cph for the Bouro North Dyke, which has been confirmed for Stellar by an independent diamond expert on the basis of microdiamond grade estimation from microdiamond sampling data. Clearly this dyke has economic potential and requires further evaluation work.

The Bouro North Dyke is located in proximity to the Mandala alluvial project and therefore Stellar's key objective is to conduct mini-bulk sampling of the dyke utilising the plant and machinery at the Mandala project.



DMS plant at Mandala



Other Promising Projects

In Stellar's portfolio, a number of other promising diamond projects were subjected to exploration in 2007. These include the 15,000km² Mineral Cooperation Agreement ('MCA') (now reduced to 3,000km² after completion of reconnaissance sampling) and the 400km² African Aura Resources ('AAR') JV licence, both located in western Liberia, and the Gorahun and Zimmi licences in eastern Sierra Leone. All of these projects yielded encouraging indicator mineral results that warrant further exploration in the coming year. Towards the end of 2007, Stellar signed a Memorandum of Understanding ('MoU') with BHP Billiton for an area of just under 11,000km² in the north of the Democratic Republic of Congo (DRC). This MoU entitles Stellar to earn a 50% interest in BHP Billiton's property by making a kimberlite discovery and the collection and processing of a 500 ton mini-bulk sample. Stellar will be manager and operator of this project. A second MoU was signed in the north DRC with a Congolese company Remec Sprl for a focused area of 1,308km² which is adjacent to the BHP Billiton area. This MoU entitles Stellar to earn a 75% interest in the property by delivering a bankable feasibility study on one or more kimberlites within a period of five and a half years. Stellar considers both these areas, and the north DRC craton in general, as highly prospective for the discovery of economic kimberlites and perhaps one of the least explored, diamondiferous cratons in the world.



Iron Ore Operating Review



Rehabilitation of the old working adit

The Putu Range Iron Ore Project in southeastern Liberia continues to be a very exciting potential iron ore mine. Work has continued over the year to extend and widen the roads that were constructed under the previous explorers, over 40 years ago.

Putu was first explored in the 1950s and 1960s by LAMCO, (Liberian-American-Swedish Mining Company), and subsequently by Bong Mining Company. The early explorers concentrated on the central part of the Mt. Jideh ridge which forms the deposit. Only about four kilometres of the thirteen kilometre ridge was explored in detail and a resource in the region of 455Mt of iron ore was estimated at a grade of 45% with grades up to 67%. This work although diligently done does not define a resource in compliance with NI 43-101, however, it does give a good indication of the potential of the site. A report by SRK Consulting (UK) Ltd that was commissioned during the year indicated that a conservative estimate for the entire ridge of up to 900Mt.

The potential ore is a magnetite/haematite itabrite with low phosphorous and alumina; as with itabrites the main deleterious element is quartz, the least important of these deleterious elements. Mineralogical examination showed that much of the quartz is fairly coarse and can be removed easily. This is confirmed by the results achieved by the metallurgical work undertaken at the time of the previous exploration. This metallurgical work showed that the material could be upgraded from the original material to produce concentrates in the range 68.5-70% total iron content. Recoveries reached circa 75%, however the methods used were biased towards the recovery of magnetite, and the recovery of the haematite was somewhat neglected, therefore this recovery may be an understatement.

A new metallurgical study is about to be commissioned to look more closely at extracting the haematite part of the deposit more effectively. The ore body appears to change across the ridge, with haematite rich itabrite on the northern side of the ridge to material with higher magnetite content on the southern side. The potential exists for the production of a high grade ore that will either be directly shipped or will require minimal processing. A third of the deposit is potentially this type of mineralisation.

In 2007, Mano's subsidiary Mano River Iron Ore (Liberia) Inc. extended access to the ends of the ridge, previously un-sampled, and the result of this work shows that the grade of material remains similar over the entire length of the ridge. An adit that was developed in the previous exploration was blocked by a considerable rock fall some 30m from the entrance. This fall of rock has been removed and the adit made safe and now the entire 208m of the adit is accessible.

Sampling of this adit has shown a consistent grade of mineralisation in line with the previous estimates throughout the entire length with no included waste bands of any significance. The transition from haematite itabrite to magnetite was generally as expected but there was a sharp transition about 80m from the start of the adit, which indicated that the estimate of the quantity of potential direct shipping ore is supported.

A heavy duty drill rig capable of deep holes in iron ore was purchased during the year and, after some proving work, is now located at the Putu site. A programme of 4000 metres of drilling has been laid out with the aim of better defining our knowledge of the structure of the deposit. The previous exploration was aimed predominantly at the magnetite resource. As Putu was seen as a potential source of feed for a pelletising operation, the haematite resource and potential direct shipping material was given lesser priority. The programme proposed intends to better define the potential direct shipping, ore both in quality and quantity. It will also define the geostatistical parameters to allow a NI 43-101 compliant resource estimate to be calculated in the near future. Some holes will be drilled outside the previously defined area to reinforce the evidence of the surface sampling, that the anticipated extension of the resource is correct; defining the extent will also include locating the basement of the deposit. This programme will form the basis of a full scale drilling programme to define the resource as an entity.

An initial rail route study has been undertaken, for which extensive digital imagery was produced. Two port sites were identified, one at



the existing port of Greenville and one at Grand Butu Point, north of Greenville, both of which have deep water capability for accommodating cape sized bulk carriers. A hundred and fifty alternative routes were analysed between the site and Greenville and the site of Grand Butu Point.

A shortlist of preferred routes has been identified. In the coming year, it is planned to optimise the start and finish points of the rail line, run rail simulation programmes to define the maximum capacities of the potential railroad and define the best route.

The two potential port sites that have been identified will be investigated in more detail in the coming year. The aim is to develop a port capable of accommodating up to 160-280 DWT bulk carriers. Initial studies indicate that the project could produce attractive rates of return. The short rail distance to the sea together with potential port sites with deep water capability means that operating costs could be very competitive. Short rail transit times suggest that production can be ramped up at minimal additional capital cost.

The next two years of the exploration period will be used to do the necessary work to produce a feasibility study.

A social program involving the development of a clinic in Penoken, the local village, where most of the workers currently employed live, is being discussed with the elders of the village. In addition, initiatives to provide a clean water supply and enhance the school facilities are also in progress.



Geologists inspecting the adit

Board of Directors



David B. Evans
Executive Chairman

David joined the Company on 1st October 2007, as Executive Chairman. David brings with him over 30 years of experience across the natural resources sector, with particular expertise in the development of precious and base metal projects for both large mining houses and emerging producers. David is currently a Director for AIM-listed Tianshan Goldfields Ltd., and was previously a Director of Kroondal Platinum Ltd. and Aquarius Platinum Ltd., where he played an integral part in their growth, financing and successful development. He is also a Director of Orlando Investments Plc. Within the last five years, David has held directorships or partnerships at Exterra Consulting cc and Tarapaca Resources Ltd. (Bermuda).



Luis da Silva
President & CEO

Luis took over the role of President & Chief Executive Officer in October 2007, having joined the Company in February as Chief Financial Officer. He gained his extensive international experience with the multinationals Lafarge S.A. and Blue Circle Industries Plc, as well as Stevin Rock, formerly of the Dragomar Group. His career has taken him across the world in an operational, technical and corporate capacity. Most recently as a Director of Group Audit, Luis was heading Lafarge's Asia Pacific internal audit department based in Malaysia, having previously been posted to Paris, France, with the same company. Luis is a graduate Mining Engineer from Camborne School of Mines and read for his MBA at the Cranfield School of Management. He is currently an Executive Director of Stellar Diamonds Ltd and a Director of AiRENA Ltd., a private company.



Guido ('Guy') Pas
Non-Executive Director

Guy is the founder and former Chairman of the Company. He is a financier based in Geneva who has been involved in numerous start-up and early-stage resource ventures. He is a co-founder of GAIA Resources Fund Ltd., in 2004, which focuses on early stage private and public resource companies. He was co-founder of The Addax & Oryx Group Ltd., an integrated African oil group in 1987 (its upstream affiliate Addax Petroleum now listed on the TSX and AIM), and in 2004 of Afren plc another West African oil & gas company listed on AIM. Guy co-founded and was the chairman of Samax Resources Ltd, in 1989, which listed as Samax Gold Inc. on the TSX in 1996, with two major gold mine discoveries in Tanzania to its credit. Guy has equally been involved in several Former Soviet Union ventures, most recently Ovoca Gold Plc, developing a silver mine in Magadan and Siberian Diamonds exploring in Irkutsk. Prior to Addax & Oryx, he was a Vice President of Chase Manhattan Bank [Belgium, France and Switzerland] from 1973 to 1983.



Dr Tom G. Elder
Non-Executive Director

Tom, former President and Chief Executive Officer of Mano, is a geology graduate of Durham University and held a post-graduate NATO Scholarship at the University of Oslo, Norway. His extensive background in mineral exploration was gained with major companies including BP and RTZ. He is multi-lingual and has run exploration programmes in the United Kingdom, Spain, Italy, Portugal and Greenland for Cominco Limited, prior to his appointment as worldwide Exploration Manager for BP Minerals in 1983. Following the take-over by RTZ, he had special responsibility for project development in the Former Soviet Union. Tom is also a Non-Executive director of AIM-listed companies Centamin Egypt Limited and Angus & Ross.



Malcolm Burne
Non-Executive Director

Malcolm is a Non-Executive Director of Mano. A former financial journalist with the Financial Times and the Sunday Telegraph, Malcolm has controlled and managed fund management, venture capital, and investment banking companies in Australia, Hong Kong and North America. Malcolm has been a Director of over 20 companies, many of which have been in the mineral resources and gold exploration fields. He is currently chairman of both Golden Prospect and Jubilee Platinum. In addition, he was Executive Chairman of the Australian Bullion Company (Pty) Ltd., then Australia's leading gold dealer and member of the Sydney Futures Exchange.

Management

Bevan John Metcalf
Chief Financial Officer

Bevan was appointed CFO of the Company in January 2008. He is a Chartered Accountant with 27 years global finance experience in the pharmaceutical and mining industries. He graduated with a Bachelor of Management Studies degree from Waikato University in New Zealand and was granted ACA membership in 1986. Bevan began his career with ICI, before emigrating to the United Kingdom in 1984. Bevan joined Beecham Pharmaceuticals in the UK and remained with the company for 11 years, holding a number of senior finance positions. Following the Beecham merger with SmithKline, he was transferred to Belgium where he successfully established the European Head Office holding senior positions as European Planning Manager and European Controller. Bevan returned to the UK in 1995 and was appointed Finance Director for Orion Pharmaceuticals. Bevan joined African Eagle Resources plc, a mineral exploration company in 2004 where he currently holds the position of Finance Director.

N. Karl Smithson
CEO Stellar Diamonds

Karl was appointed Stellar's Chief Executive Officer on 1st January 2007, having been Chief Operating Officer for diamonds for the Company for three years. He is a geology graduate of Kingston University and in 2006 completed his MBA at the Graduate School of Business in Cape Town, South Africa, and was awarded with the Old Mutual Gold Medal.

Karl has 20 years of diamond experience gained with a number of companies in senior management positions, including De Beers (10 years) and SouthernEra Diamonds (2 years). Prior to Mano River, Karl ran his own diamond exploration consultancy for three years. Karl's working career has been focused on diamond exploration in Africa and he has been responsible for a number of new diamond discoveries in Botswana, Zimbabwe, Sierra Leone and Liberia. The discovery in Botswana is due to enter commercial production in the near future as the Lerala Diamond Mine.

Shiaman M. Diawara

Manager of the Conakry Office, Guinea

Shiaman is responsible for facilitating Mano's activities in Guinea. Following completion of his degree in 1965 he became an Inspector of Education in the Ivory Coast, returning to Guinea as a Project Co-ordinator in the development office at Boké working with the Compagnie des Bauxite de Guinée. Between 1972 and 1992 he was Administrative Director for a number of Government departments and parastatal organisations. In 1992, he became Guinean representative of Kafco S.A., a Kpoto Group Company, an appointment that led to his involvement with Mano since 1994.

Rowan Carr

Stellar Diamonds Vice President Exploration

Rowan Carr has 21 years of diamond exploration with De Beers, managing projects in Botswana, South Africa, Angola, Guinea, CAR and the DRC. For 4 years he managed the world's largest prospecting sample treatment / indicator mineral examination facility in South Africa. He has a proven track record of initiating and managing exploration programmes in remote African settings and was responsible in 1997 for the discovery & drilling of Angola's first kimberlites. Prior to joining Stellar, Rowan managed De Beers' discovery and preliminary kimberlite evaluation drilling programme in the DRC. Rowan joined Stellar as VP Exploration in May 2007, and is responsible for exploration & evaluation activities. He completed his Masters at the Royal School of Mines, and is a Fellow of the Geological Society (London) and a Chartered Geologist.

Ronnie Addy

Liberian Resident Manager

Julius Ronnie Addy joined Mano as Liberian Resident Manager in May 2000. He obtained a Bachelors degree in Business Administration from the University of Liberia, majoring in Accounting and mentoring in Management. In 2006 he enrolled in graduate school at The Louis Arthur Grimes School of Law, University of Liberia, where he earned an L.L.B. Degree. A professional Accountant of several years, and an Associate Member of The Liberian Institute of Certified Public Accountants, he worked for the Liberia Electricity Corporation for nine years as Internal Auditor. He also served the Red Cross for eight years as Finance Officer. He is an Attorney at-Law and a member of the Montserrado Bar Association.



Corporate Social Responsibility

Commitment

As a pioneer exploration Company, Mano works in countries which have known conflict and decades of economic hardship. Therefore, our commitment is not only to conduct business activities that are respectful to the communities and environments in which we operate, but also to make a positive impact on the reconstruction efforts in those countries. Mano views this as one of its core CSR objectives and is committed to making a positive contribution both to society and the economy.

The success of our exploration activities would not be possible without fully engaging the local communities. The Company is involving local communities on a day-to-day basis by creating jobs, procuring supplies and services, training and empowering our workers, and by improving facilities around the areas in which we operate. From our experience this level of involvement can have a far greater impact than through the ad hoc support of good causes.

Staff training, education and safety

In the pursuit of our exploration activities, we incur risks due to the very nature of our operations. It is our responsibility to manage these risks in order to safeguard our people. Our staff are fully trained on health and safety requirements which follow industry best practice and all measures will be taken to ensure that health & safety risks are kept to an absolute minimum through all stages of development.

We also strive to provide training and career development for our staff. For instance, we subsidised a Masters in Geographical Information System (GIS) in the Netherlands for one of our employees in Liberia (E.O. Sherman). He is now applying his knowledge in his daily work as well as training his team. We are also sponsoring senior geologist Steven Dorbor in his Masters in Exploration at Rhodes University in South Africa.

In order to contribute to the Liberian Ministry of Land, Mines and Energy's efforts to offer comprehensive geological information, the Company provides support for a Gold laboratory, a Kimberlite and Diamond Processing Laboratory as well as the GIS facility and its staff at the Liberian Geological Survey Institute. This information will serve the industry in terms of attracting new companies into Liberia. We established all the labs at our cost, as well as renovated the Geological Survey building.



Children in village near Mandala, Guinea



Safety reminders at Basama

Environment

The Company is committed to following the strictest environmental regulations in the countries where we operate and where-ever possible we also seek to make improvements to the local environment in which we operate. Before exploration begins, the local chiefs and villagers in the areas surrounding the operation are engaged about our planned undertakings and the impact and consequences this will have on their environment.



Local initiatives

In line with our policy to make a positive impact on the areas surrounding our operations, we have undertaken several local initiatives.



Weasua school

Realising the role education plays in the development of local communities, Mano built a four-classroom school in Weajue in Liberia. More recently, Mano completed the building of a six-classroom school costing over USD50,000 for the Weasua community in Liberia.

As a way of engaging the youth and bringing them together, the Company initiated and hosted a football tournament with the Liberian Ministry of Lands, Mines and Energy. This event was highly successful and has endeared the Company to the local community around our New Liberty Gold Project. We have also supported local youth groups. At the New Liberty Gold Project in Liberia, the Company has rehabilitated roads and bridges leading to the camp site. Mano is

currently rehabilitating a twelve mile road, which upon completion will provide easy access for the local communities. A similar project has also been launched for the rehabilitation of a 47km stretch of a national road between Macenta and Bouro in Guinea.



Karl Smithson and Guy Pas with the winning ladies team of "The Mining Cup 2007"

During the period 1997 to 2001 the Company supported an Out Patient clinic, that catered for over 150 local inhabitants from the KGL area and surrounding communities every month. This vital initiative was disrupted due to the civil war, however, the Company intends to restore the clinic due to the important benefits it brings to the local community.



Butulu Bridge Rehabilitation

Corporate Governance

Corporate Governance Statement

The Board of Directors is accountable to the shareholders for the corporate governance of the Group. Mano River operates in an effective and efficient way, with integrity and with due regard for the interests of all stakeholders.

Board of Directors

The Board of Directors is responsible for the conduct of the Company's affairs and the success of the business. The main functions and responsibilities of the Board are detailed below:

1. Identifying and monitoring the principal risks facing the business and where-ever possible to mitigate the impact of these risks;
2. Stewardship of the financial affairs of the Company;
3. Ensuring effective communication with all stakeholders including shareholders, employees, the public and other interested parties; and
4. Approving the Company's strategy and objectives, operating plans, key transactions and budgets as presented by management.

The Board currently comprises five members: two Executive directors and three Non-executive directors. Biographies of the Directors appear on pages 12 and 13. The Directors' varied backgrounds and relevant industry experience give Mano a good mix of the knowledge and expertise necessary to manage the business effectively. The structure of the Board ensures that no one individual or group dominates the decision-making process. The Directors are detailed below together with information on appointments and retirements during the year.

| Directors | Title | Date appointed in 2007 | Date retired in 2007 |
|------------------------------|--------------------|------------------------|----------------------|
| P. Anthony Rhatigan | Non-executive | - | December 21, 2007 |
| Rod C. McKeen | Non-executive | - | December 21, 2007 |
| Steven Poulton | Non-executive | May 8, 2007 | December 21, 2007 |
| Karl Smithson ⁽¹⁾ | Executive director | - | December 21, 2007 |
| Jonathan Challis | Non-executive | - | February 1, 2007 |
| Luis da Silva ⁽²⁾ | President and CEO | February 27, 2007 | - |
| David Evans | Executive Chairman | October 1, 2007 | - |
| Guido E. Pas ⁽³⁾ | Non-executive | - | - |
| Tom Elder ⁽⁴⁾ | Non-executive | - | - |
| Malcolm Burne | Non-executive | - | - |

(1) Karl Smithson was appointed CEO of Stellar Diamonds Ltd on 1st January 2007
 (2) Luis da Silva previously CFO was appointed President and CEO on the October 1, 2007
 (3) Guido E. Pas stepped down as Chairman on October 1 but will remain on the Board as a Non-executive director
 (4) Tom Elder stepped down as President and CEO on October 1, 2007 but will remain on the Board as a Non-executive director

The Board changes detailed above reflect the Company's evolution from a focus on exploration to mine development. The Company is very confident that it has assembled a highly experienced and capable Board with the necessary skills to deliver strong growth, exploit new opportunities and most importantly to create significant value for our shareholders.

The Board met seven times during the year and together with the Audit and Remuneration Committees, deals with all important aspects of the Group's affairs. The Executive Chairman, Mr Evans, is responsible for the leadership of the board and to ensure effective communication exists between the executive and non-executive directors. Formal agendas and board papers are sent to the directors in a timely fashion prior to board meetings. At present the Directors do not consider a

nominations committee necessary with recommendations for appointments to the Board being made by the Board as a whole after due evaluation.

The Board believes that its current composition is sufficient to ensure it can function independently of management. In the event of a conflict of interest, the conflicted director will in accordance with corporate law and his fiduciary obligations as a director, disclose the nature and extent of his interest to his fellow directors and abstain from voting on or against the resolution where he is conflicted.

The non-executive directors are Mr Pas, Mr Elder and Mr Burne. They have interests in the ordinary shares of the Company and hold share options. The following committees deal with the Group's affairs and provide experienced and objective advice to the Board.

Audit Committee

The Audit Committee ensures the good operation of financial practices throughout the Group; ensures that controls are in place to protect the assets and to ensure the integrity of financial information; reviews the quarterly and annual financial statements; reviews all aspects of the audit programme and provision of non audit services by the auditors. The Audit Committee changed during the year following the retirement of Messrs. P. Rhatigan and Steven Poulton. At the present time the committee is chaired by Mr Pas. The other members are Mr Burne and Mr da Silva. All three members are financially literate. Mr Metcalf joined the Company on January 1, 2008 as CFO. Although not a member of the Board or this committee Mr Metcalf will attend audit committee meetings. If issues arise which are deemed outside the areas of expertise of the committee then independent expert advice will be sought.

Remuneration Committee

The Remuneration Committee normally meets as and when required and is chaired by Mr Burne. The other members are Mr. Pas and Mr. Elder.

The main duties of the Committee are:

- to set the salaries paid to the executive directors
- to consider other benefits granted to the executive directors
- to consider and make recommendations in respect of the terms of the service contracts of the executive directors and any proposed changes to those contracts
- to oversee the operation of the Company's share option scheme

Being composed of non-executive directors who have no personal interest in the

outcome of its decisions, the committee provides some reassurance to the shareholders that the remuneration of the executive directors is fair but not excessive. Financial packages for executive directors are established by reference to those prevailing in the market place for directors of similar status, skills and qualifications and should be sufficient to attract, retain and motivate directors of the quality required to run the business successfully.

Internal Controls

The Directors are responsible for establishing and maintaining the Group's internal controls and for reviewing their effectiveness. Financial, operational and compliance procedures are designed to safeguard the Group's assets and are regularly reviewed by the Board. The internal control system is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. It can only provide reasonable and not absolute assurance against material misstatement or loss. The directors are satisfied that the existing controls are adequate and effective with regard to the size of the Group and the stage of its development.

Communication with Shareholders

The Board recognises that it is accountable to shareholders for the performance and activities of the Group. The Board attaches great importance to maintaining good relations with its shareholders. Market sensitive information is released to all shareholders concurrently in line with stock exchange rules. The Company is listed on the Toronto (TSX-V) and London AIM stock exchanges.

Extensive information about the Group's

activities is included in this Annual Report and Accounts which are sent to all shareholders. At the Annual General Meeting of the Company on the 11 June 2008 the directors will present to the shareholders a report on the current and proposed operations and enable the shareholders to express their views about the Group's business activities. Mano exhibits at conventions such as Mines and Money in London, Indaba in South Africa and PDAC in Canada and presents at investor forums in order to give shareholders the opportunity to review the Group's progress and to ask questions of the Directors.

The annual report, news releases, and other information on Mano River are available on the Group's website www.manoriver.com

Going Concern

The Directors are aware that the Group will need additional working capital in 2008 to fund its future exploration programmes. The Directors have a reasonable expectation that they will secure additional resources when required to continue operating for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Management's Discussion and Analysis

The following discussion is management's assessment and analysis of the results and financial condition of Mano River Resources Inc. (the "Company" or "Mano") and should be read in conjunction with the accompanying audited consolidated financial statements for the eleven months ended December 31st, 2007 and related notes. Unless otherwise indicated all amounts are in US dollars. The date of this management's discussion and analysis is April 29, 2008.

Additional information relating to the Company is available on SEDAR at www.sedar.com or on the Company's website at www.manoriver.com

OVERVIEW PERFORMANCE

Description of Business

Mano River Resources Inc. is an exploration and development company engaged in the acquisition, exploration and development of gold, diamond and iron ore properties in Africa. The Company, through its subsidiaries, holds interests in mineral properties located in Liberia, Sierra Leone, Guinea and the Democratic Republic of Congo (DRC), with the aim of developing them to a stage where they can be exploited economically or arranging joint ventures whereby other companies provide the funding and expertise for development and exploitation.

Forward-looking statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied.

Trends

Prior to 2004, the mineral exploration industry went through a very difficult period as a result of low prices for both precious and base metals. Lack of investor interest in the sector in general led to low market capitalizations and large companies found it was easier to grow by purchasing companies or mines outright, rather than to grow organically. This led to downsizing of the exploration staff of large companies and many professionals took early retirement, or left the industry to pursue other careers. As a result of these trends, there are currently fewer and fewer good projects in the pipeline and a developing shortage of experienced explorers. With recently improved metal prices which are linked to burgeoning demand, especially from Asia, supply difficulties may occur in the near future and there is a discernible need for good exploration projects for almost all commodities, based on sound geological work. The general consensus is one of solid demand, which bodes

well for the outlook. As junior exploration companies (many of which are staffed by geologists who were formerly employed by large companies) find it easier to raise funds, they are tending to lead the way in identifying properties of merit to explore.

Risks and Uncertainties

The Company is subject to a number of risk factors due to the fundamental nature of the mining business in which it is engaged, the countries in which it primarily operates and not least adverse movements in commodity prices. The Company's near term production prospects under Stellar Diamonds is an important milestone as the company becomes a producer. Mano seeks to counter such risks as far as possible by selecting exploration areas on the basis of their recognized geological potential to host high grade gold, diamond and iron ore deposits. The area of under-explored Archaean terrain on which the Company focuses in West Africa is also subject to a second significant risk, namely, political. While the region has suffered serious civil unrest and armed conflict in the past (which is the basic reason why it remained under-explored), conditions have improved markedly in recent years.

Industry

The Company is engaged in the exploration of mineral properties, an inherently risky business, and there is no assurance that an economic mineral deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of commercially mineable ore deposits. The geological focus of the Company is on areas in which the geological setting is [well understood by management given the Company's ten year tenure in the region and the technological tools it employs are regularly updated to better focus exploration efforts.

Reserve and resource estimates

The estimation of mineral resources and reserves is in part an interpretive process and the accuracy of any such estimates is a function of the quality of available data, and of engineering and geological interpretation and judgement. No assurances can be given that the volume and grade of reserves recovered, and rates of production achieved, will not be less than anticipated.

Gold and metal prices

The price of gold is affected by numerous factors totally beyond the control of the Company, including central bank sales, producer hedging activities, the exchange rate of the U.S. dollar relative to other major currencies, demand, political and economic conditions and production levels. In addition, the price of gold has been volatile over short periods of time due to speculative activities. The prices of diamonds, and other mineral products that the Company may explore for, also have the same or similar price risk factors.

Cash flows and additional funding requirements

Mano currently has no revenues from operations. To the extent the Company's exploration programs are successful and joint venture partners complete their earn-in, the Company is required to provide its share of on-going exploration and development costs in order to maintain its interest in the projects, or have its interest diluted and reduced to a royalty interest. Substantial additional capital is required to put a property into commercial production. The sources of funds currently available to the Company for its exploration stage projects are either: the sale of equity capital; the offering of an interest in its projects to another party; and debt financing when appropriate. Although Mano has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Exchange rate fluctuations

Fluctuations in currency exchange rates can significantly impact cash flows. The U.S. dollar exchange rate in particular has varied substantially over time. While the Company has historically raised a large proportion of its equity financing in UK currency most of the Company's exploration expenses, meanwhile, are denominated in U.S. dollars. Fluctuations in exchange rates may give rise to foreign currency exposure, either favourable or unfavourable, which may impact financial results. Mano does not engage in currency hedging to offset the risk of exchange rate fluctuation.

Environmental

Mano's exploration and development activities are subject to extensive laws and regulations governing environmental protection. The Company is also subject to various reclamation-related requirements. The Company takes extremely seriously its commitment towards the local communities and the environment. Its unwritten policy is to be proactive when operating in order to exceed all applicable environmental regulations. A failure to comply may result in enforcement actions causing operations to cease or be curtailed, and may include corrective measures requiring significant capital expenditures.

Laws and regulations

Mano's exploration activities are subject to local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change and can become more stringent, and compliance can therefore become more costly. The Company applies the expertise of its management, its advisors, its employees and contractors to ensure compliance with current laws.

Title to mineral properties

While the Company has undertaken all the customary due diligence in the verification of title to its mineral properties, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects.

Competition

There is constant competition from other mineral exploration companies, with operations similar to those of the Company. Many of the mining companies with which the Company competes have operations and financial resources substantially greater than those of Mano.

Dependence on management

Mano relies heavily on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term. In Q4 2007 changes were made to the management and the composition of the Board which make the Company stronger and better able to exploit the value of its exploration assets. Mano has no key-man insurance although Directors and Officers Liability insurance was taken out during the period.

OPERATIONS – Overview

The Company has undergone some significant changes during the year with the intention of providing a sustainable future. Mano's fundamental strategy is to unlock the value of its exploration assets. The Company is focused on the development of its three divisions, namely gold, diamonds and iron ore.

At the beginning of the year, the Board decided that in order to unlock this value in the Company, it would be advantageous to place all the diamond assets into a new company named Stellar Diamonds Limited and list this subsidiary on the London Stock Exchange's Alternative Investment Market (AIM). This process has been ongoing. The present timing for the IPO is at the end of Q2 2008 but always subject to market conditions.]

The key asset in the Gold division is New Liberty Gold project (NLGM) in Liberia where we are currently drilling in order to expand the resource. In January 2007 Mano announced the results of a Feasibility Study on an open pit operation at New Liberty Gold project. The estimated gold resource at NLGM is 1.4 million ounces of measured and indicated resource grading 3.18 g/t.

The feasibility study was submitted to various financial institutions with regard to debt financing however the new management believes it be more advantageous and strategically more value creative to increase mine life and changing the production profile by considering an underground scenario from the outset. The original strategy was to mine the deposit using open pit methods and to examine its

Management's Discussion and Analysis (continued)

underground potential after start-up. This strategy had not taken into account the potential understatement of the ore resource due to the contiguous nature of the orebody to depth. With the gold price at its current levels gold assets such as NLGM are potentially very exciting. On the Iron ore front, as previously stated, the Company is currently targeting a resource of 900 million tonnes at its Putu Project. With demand for iron ore, driven primarily by the Chinese market, the impact on prices has been significant.

Exploration Projects – Current Developments

GOLD

Although no drilling took place at NLGM during the quarter to December 2007 there was significant preparation work in the form of ascertaining the drill programme, preparing the ground and drill pads as well as mobilising the new drill rig onto site. All this to identify the targets for the drilling programme which started in January 2008. A detailed description of the drilling programme at NLGM is under subsequent events.

Exploration on the Mineral Development Agreement (MDA) licence area in Liberia has in recent times been focused on the New Liberty project. During Q4 the Company commissioned The Mineral Corporation consultancy of South Africa to examine and provide opinions and targets on the overall license area; this work will be available early in 2008. We are confident that other gold targets will be identified given the amount of artisanal workings on the licence. In Sierra Leone, Mano's gold programme is being undertaken by Golden Star Resources ('GSR') of Canada as Operator, under a joint venture agreement. Focusing currently on the Sonfon district at the northern end of the Sula Mountains Archaean greenstone belt, GSR are currently engaged in drill testing a number of high priority regional soil geochem gold anomalies, with results expected to be announced in the coming months.

Mano's joint venture partner over the Missamana-Gueliban licences in eastern Guinea, Navasota, decided to withdraw in the latter part of 2007. Navasota reported encouraging results from the drilling they carried out under the joint venture, including 1.73 g/t gold over 24m, 6.20 g/t gold over 8m, and 43.97 g/t gold over 4m. Discussions are at an advanced stage with a potential partner to take this forward.

IRON ORE

The Putu Iron Ore project is located in the centre of a 425km² licence in Grand Gedeh County of eastern Liberia, approximately 100km west from a potential deep-water port of Greenville and 200km south east of the Mt. Nimba iron ore deposit. The project consists of two prominent ridges that strike northeast southwest, namely, Mt Jideh (with its extension Mt Montroh) and Mt Ghi. Exploration to

date has focussed on Mt Jideh, which comprises a potentially high-grade outcropping magnetite/haematite mineralised zone that has undergone various stages of weathering. Mt Jideh has a strike length of approximately 12km based on mapping, surface sampling and airborne magnetic data. There are three additional iron ore exploration targets at the Putu project that have yet to be explored. On **October 3rd 2007**, Mano, reported the positive conclusions of an independent technical report on the Putu Range Iron Ore Project ("Putu") in eastern Liberia in which Mano holds an 80% interest through its African Iron Ore Group ("AIOG") subsidiary. Mano's directors have completed a review of the recent SRK Consulting (UK) Ltd ("SRK") report, which was commissioned during the year. The Company is satisfied with the exploration to date and will progress the project, focusing on the following:

- AIOG is targeting a potential resource of 900Mt which SRK considers a reasonable objective
- Initial drilling programme to commence
- 4,000m drilling programme planned
- Historic exploration adit now known to be 218m long being rehabilitated
- Trench, grab and adit samples to date have averaged in excess of 50% iron
- Initial scoping study planned on shipments via local deep water port

For the 2008 Exploration Programme, Mano is planning a 4,000m resource and grade delineation drilling programme, focussed on the eastern zone of Mt Jideh. In addition, a series of widely spaced drill holes will be completed along the strike of the Mt Jideh magnetic anomaly. The objective of the drilling programme will be to prepare an initial resource estimate in accordance with NI 43-101. In conjunction with the drilling programmes, bulk sampling and test work will be undertaken in order to evaluate grades, recovery and ore characteristics.

Conclusions of Independent Technical Report

SRK reported that the Company's exploration results to date are in line with available historic data which shows a surface weathered zone and transitional ore overlying a Primary magnetite itabarite that contains zones of hematite itabarite. SRK considered that there is a notable resource upside potential when considering the extent of the magnetic anomaly over a 12km strike length. Mano is currently targeting a potential resource of 900 Mt. SRK consider this to be a reasonable objective. SRK notes Mano's target will only be verified by further reconnaissance and drilling. The exploration of Mt Jideh is, however, in its infancy and without the benefit of drilling (undertaken using modern techniques) the true nature of

the ore types and associated grades that are realistic, are considered by SRK to be speculative at present.

Mano's target for the resource is in excess of an historic estimate of 455Mt @ 45% iron (not in accordance with NI 43-101). It is notable that the historic estimates also excluded the potential for significant tonnage from the higher grade, lower cost and non-magnetic hematitic ore found at surface. SRK noted that the historic estimates were not focussed on the entire 12km potential strike length of Mt Jideh.

DIAMONDS

On **December 1st 2007**, Stellar Diamonds Limited ("Stellar") signed a memorandum of understanding ("MoU") with BHP Billiton over exploration licences covering 10,852km² in the north of the Democratic Republic of Congo ("DRC").

- MoU signed with BHP Billiton in the northern DRC, one of the least explored cratons in Africa
- Licences cover 10,852km², which Stellar believes is a prospective target area
- Exploration to be co-funded after completion of a 500-tonne bulk sample by Stellar
- Expected to commence Q2 2008
- Targeting kimberlites in areas of active artisanal diamond mining

The Licences are subject to an existing Option Agreement between BHP Billiton and Socerdemi SPRL, a Congolese registered company which holds the Licences. The MoU entitles Stellar to earn 50% of the BHP Billiton entitlement in the project.

Under the Option Agreement, BHP Billiton has the right to either enter into a JV with Socerdemi and earn a 85% participating interest through funding exploration to completion of a feasibility study, or elect to purchase from Socerdemi 100% of the Licences at any time during the five year option period by paying to Socerdemi US\$100,000. Socerdemi would then retain a 2% net profits royalty in any future diamond sales, which can equally be bought out by BHP Billiton for US\$500,000.

The Socerdemi licences are located in close proximity to other licences covering 1,308km² over which Stellar recently secured a MoU with Remec SPRL. The proximity of the two areas offers logistical benefits and synergies and helps to secure Stellar's presence in the north of the DRC.

On **October 10th 2007**, Mano reported encouraging initial diamond recoveries from the Tongo kimberlite project in eastern Sierra Leone. The Tongo project is a Joint Venture between Mano's 68.5% owned subsidiary company, Stellar Diamonds Limited ("Stellar") and BHP Billiton. BHP Billiton can earn up to a 51% interest in the Tongo project under the current spending plan of \$3.4million, with a further option to earn up to 70%.

Highlights of the initial recoveries were:

- 1,894 diamonds, totalling 2.05 carats, recovered from six 200kg (dry weight) samples, including:
- 49 diamonds over 0.85mm recovered, totalling 1.43 carats
- 72 diamonds, totalling 2.85 carats, recovered from 23 surface grab samples
- Macrodiamond grade forecasts by an independent diamond expert suggests grades of up to 500 carats per hundred tons for some of the kimberlites

CORPORATE

On **December 21 2007**, it was reported that the following Director's would be retiring as part of the Company's previously announced management restructuring:

- P. Anthony Rhatigan – Vice-Chairman
- N. Karl Smithson – Director
- Roderick ('Rod') C. McKeen – Director
- Steven J. Poulton – Independent Director

Commenting on the retiring Directors, David Evans, Chairman said: "We would like to express our great appreciation for the valuable contributions made by our retiring Directors and wish them all the best for their future endeavours."

On **October 1st, 2007**, it was reported that David Evans Chairman of the Company, purchased 100,000 shares at 8.75 pence in the Company.

On **October 18th, 2007**, it was reported that David Evans, Chairman of the Company, purchased 150,000 shares at 10.4 pence in the Company. His holding of common shares in the Company then totalled 1,000,000 shares or approximately 0.34% of the Company's issued share capital.

Exploration Projects – Subsequent Events

GOLD

On **January 22 2008**, the Company reported it was starting a new drilling programme. This programme which included 2,688m of resource/reserve delineation diamond drilling was completed in March 2008 and we are currently awaiting the results. This programme included a number of deeper holes down to depths of 500-600 meters. The results of this programme will give a clear indication of the continuity of the deposit at depth, and potentially change the project scope to an underground mining operation with a resultant increase in the resource.

DIAMONDS

On **February 20th 2008**, the Company reported that its joint venture partner Petra issued its interim results and has made the following statement regarding the Kono Joint Venture:

Management's Discussion and Analysis (continued)

"Trial mining operations at the Kono project, a joint venture with Stellar Diamonds, continue with highly encouraging results at the Pol K and Bardu test shafts. A total of 8,640 diamonds (760 carats) have now been recovered at Kono (bottom cut 1 mm). A parcel of 581 carats has been shipped to South Africa and these are being cleaned, awaiting valuation."

In March 2008 BHP Billiton withdrew from the Sierra Leone joint venture leaving Stellar with 100% control. BHP Billiton spent over \$3.3M on exploration on this JV but due to its nature and scale chose to exit. This means BHP Billiton retains no equity or royalties in any of the projects and Stellar is at liberty to continue and if it so wishes find a new JV partner.

Corporate – Subsequent Events

On **March 31st 2008**, the Company reported that its majority owned subsidiary Stellar Diamonds Ltd had completed a pre-IPO placing of 2,375,000 new ordinary shares of 1 pence each in Stellar at 100 pence per share, raising gross proceeds of £2.375 million. In addition, it is announced that Guy Pas and Philippe Giaro have resigned from the

Board of Stellar and that Denis Alexandrov will be appointed to the Stellar Board as non-executive director, effective as of 1st April 2008.

On **February 14th 2008**, it was reported that Bevan Metcalf was appointed Chief Financial Officer.

On **January 29th 2008**, the Company reported that, pursuant to its Stock Option Plan and subject to regulatory approval, it has granted incentive stock options to certain directors, employees and consultants of the Company. The stock options were granted over a total of 9,045,000 common shares representing approximately 3.04% of the issued share capital of the Company at an exercise price of Cdn\$0.20 per share, exercisable for a period of five years. The stock options are exercisable immediately.

The allocation of stock options to directors was as follows: David Evans 2,000,000, Luis da Silva 600,000, Tom Elder 1,000,000, Guy Pas 750,000 and Malcolm Burne 1,000,000.

On **January 21st 2008**, the Company reported the appointment of Lord Peter Daresbury as Non-executive Chairman of its majority owned subsidiary Stellar Diamonds Ltd in preparation for an IPO.

SELECTED FINANCIAL INFORMATION

The following selected annual financial information is derived from the audited consolidated financial statements for the three most recently completed financial years and is prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

| Years ended: | December 31 2007 | January 31 2007 | January 31 2006 |
|---|------------------|-----------------|-----------------|
| Total revenue (Interest income) | 148,041 | 53,181 | 117,927 |
| Net income (loss) | 4,017,642 | (959,609) | (1,348,265) |
| Basic and diluted income (loss) per share | 0.014 | (0.004) | (0.006) |
| Stock option compensation expense | 190,003 | 513,361 | 397,829 |
| Working capital | *2,868,877 | 428,368 | 3,015,165 |
| Total assets | 45,501,911 | 28,866,715 | 22,287,420 |
| Total exploration expenditures* | 6,526,656 | 8,443,801 | 4,291,377 |

* After deducting negative goodwill

SUMMARY OF SELECTED QUARTERLY INFORMATION

The following is the selected financial information of the Company for the last eight quarters: (unaudited)

| | December 31 2007 | October 31 2007 | July 31 2007 | April 30 2007 |
|---|------------------|-----------------|--------------|---------------|
| Total revenue (Interest income) | 79,784 | 47,500 | 12,985 | 7,772 |
| Net income (loss) | 5,257,878 | (489,597) | (473,206) | (277,433) |
| Basic and diluted income (loss) per share | 0.018 | (0.001) | (0.001) | (0.001) |
| Total assets | 45,501,911 | 46,105,356 | 46,672,577 | 29,813,909 |
| | January 31 2007 | October 31 2006 | July 31 2006 | April 30 2006 |
| Total revenue (Interest income) | 14,496 | 13,322 | 7,229 | 18,134 |
| Net (loss) | (139,287) | (486,319) | (199,679) | (134,324) |
| Basic and diluted (loss) per share | (0.001) | (0.001) | (0.001) | (0.001) |
| Total assets | 28,866,715 | 27,404,088 | 27,545,680 | 22,093,071 |

RESULTS OF OPERATIONS

Fourth Quarter 2007

As detailed below the Company changed its year end from 31 January to 31 December. This has resulted in the fourth quarter figures representing two months activity as opposed to three months last year. During the fourth quarter ended December 31, 2007, the Company realized net income of \$5,257,878 or \$0.018 per share as compared to a loss of \$489,597 or \$0.001 per share in the previous quarter. The income for the quarter is due to a "dilution gain" recognised in the quarter amounting to \$6,207,005 arising from the transfer of the Company's diamond properties to Stellar Diamonds Ltd. This transaction occurred at net book value which was the most reliable valuation at the time. Subsequent to this transaction shares were issued at a higher value than the transfer from the Company, therefore giving rise to a "dilutive gain". Expenses in the quarter at \$1,339,086 are \$817,679 higher than the last quarter. This is due to four main items, namely, the unrealized exchange loss on the convertible debt (\$168,130), the depreciation charge related to the assets acquired during the fourth quarter of \$353,315, the foreign exchange loss of \$221,219, the increase in professional fees of \$47,109 and higher administrative expenses of \$55,451. Income from interest during the quarter was \$79,784 as compared to \$47,500 in the previous quarter.

Financial Results of December 31, 2007 compared to January 31, 2007

On the 9 August 2007 the Company reported that it was changing its fiscal year end date to 31 December from the 31 January in accordance with the requirements of Section 4.8(2) of National Instrument 51-102. This has meant that the period under review is eleven months rather than the normal twelve months. During the eleven months ended December 31, 2007, ("2007") the Company had net income of \$4,017,642 giving a basic gain per share \$0.014 as compared to a net loss of \$959,609 or \$0.004 for the year ended January 31, 2007 ("2006"). This increase in net income of \$4,977,251 compared to January 31, 2007, comprised some of the following significant expenses and income:

- Stock-based compensation fell from \$513,361 for the year ended January 31, 2007 to \$190,003 for the 11 months ended December 31, 2007. The significant decrease is due to a reduction in the level of stock options granted falling from 2,980,000 in January 31, 2007 to 900,000 for the period ended December 31, 2007.
- Administrative and office expenses were \$63,236 in for the eleven months ended December 31, 2007 compared to \$8,747 for the year ended January 31, 2007. The increase of \$54,489 is due to director's insurance premium.
- Professional fees of \$958,629 (January 31, 2007 – \$408,080), including nominated brokers and advisors increased by \$550,549 due to the increase in regulatory requirements, internal reorganization, costs associated with the proposed listing of Stellar Diamonds Ltd on AIM and an increase in corporate development activities and equity financing.
- Interest on convertible debenture of \$181,296 in the eleven months ended December 31, 2007 compared to Nil in the year ended January 31, 2006. The Company entered into convertible note subscription agreements to raise 2.3 million pounds sterling (\$4,641,860) with certain lenders. The convertible notes, are repayable on August 1, 2010 and bear interest at 9% per annum. The principal amount is convertible by the holders into common shares of the Company at a conversion price of £0.14 per share at any time prior to maturity or alternatively, at the option of the Company after a period of two years, if the common shares of the Company have traded at an average 30% premium to the conversion price over the previous 21 trading days.
- Transfer agent and regulatory fees of \$99,560 in 2007 (January 31, 2007 – \$67,979) increase of \$31,581 was due to increase in filings with the regulatory authority. These costs include those related to the granting of stock options.
- Directors fees increased to \$122,789 for the eleven months ended December 31, 2007 compared to \$35,800 for the year ended January 31, 2007. This increase of \$86,989 was due to increase in board meetings and the number of board members during period. The Company appointed a new board for the majority owned subsidiary Stellar Diamonds Ltd in preparation of being listed on AIM.
- Management fees of \$283,753 (January 31, 2007 – \$105,500) increased by \$178,253 due to the Company recruiting new management team members during 2007.
- The Company reported a net foreign exchange loss of \$226,868 for the eleven months ended December 31, 2007, compared to net foreign exchange gain for the year ended January 31, 2007 of \$126,677. In addition a further unrealized loss arose of \$168,130 on the convertible debt which is repayable in sterling pounds. Since some of the current assets are held in UK sterling pounds they must be converted into US dollars on consolidation at the year end exchange rate. This can create either an exchange gain or loss depending on the strengthening or weakening of the US dollar.
- The Company has no revenue from mining operations. Revenue for the period consisting of interest earned from cash deposits was \$148,041 as compared to \$53,181 for the year ended January 31, 2006, an increase of \$94,860. This increase in interest income is due to increase in cash balances and placement of cash on term deposits during the period.

Management's Discussion and Analysis (continued)

LIQUIDITY AND CAPITAL RESERVES

The Company had working capital of \$2,868,877 at 31 December 2007 as compared to working capital of \$428,368 at the year ended January 31, 2007. The Company had cash of \$4,100,187 (January 31, 2007 – \$1,185,520) which contributed to the higher working capital. During the year equity financings were as follows:

- 690,000 stock options were exercised at a price of CDN\$0.10 and 4,000,000 stock options were exercised at a price of CDN\$0.11 and 1,000,000 expired unexercised for the total proceeds of \$437,836.
- Mano's subsidiary, Stellar Diamonds Ltd completed the Private Placements in order to raise funds to finance the development of its diamond interests. The Private Placements took place in two tranches. In the first tranche 1,211,890 shares were issued at an effective price of £0.87 per share. 918,484 of those shares were issued for cash consideration, raising proceeds of £800,000, while the remaining 293,406 shares were issued to the subscribers in consideration for forfeiture of certain benefits as a result of the reorganization. In the second tranche 4,822,044 shares were issued at a price of £0.871 per share for proceeds of £4,200,000. In addition, the Company issued 2,411,024 warrants with two year term and exercise price of 120 pence per share on a 1 for each 2 placing shares basis as well as 260,390 adviser's options with a two year term and exercise price of 87.1 pence per share. The purpose of raising funds by issuing shares in the capital of Stellar Diamonds instead of shares in the capital of the Company was to allow the development of the Diamond Interests to be financed without diluting the interest of the Company's shareholders in the non-diamond related assets of the Company.
- The Company entered into a convertible debenture agreement to raise 2.3 million pounds sterling with the lenders. The convertible notes totalling 2.3 million pounds sterling will under this debenture, be repayable on August 1st, 2010 together with accumulated interest at 9% per annum. The principal amount is convertible by the holders into common shares of the Company at a conversion price of £0.14p per share at any time prior to maturity or alternatively at the option of the Company after a period of two years, if the common shares of the Company have traded at an average 30% premium to the conversion price over the previous 21 trading days.

As at **April 29, 2008**, the following stock options were outstanding:

| Number of Common Shares | Exercise price Per share (Cdn\$) | Expiry date |
|-------------------------|----------------------------------|-----------------|
| 905,000 | \$ 0.10 | August 14, 2008 |
| 2,720,000 | \$ 0.24 | March 23, 2009 |
| 2,620,000 | \$ 0.215 | July 25, 2010 |
| 2,980,000 | \$ 0.23 | July 31, 2011 |
| 600,000 | \$ 0.23 | March 16, 2012 |
| 300,000 | \$ 0.23 | May 31, 2012 |
| 9,045,000 | \$ 0.20 | Jan 23, 2013 |
| 18,945,000 | | |

Cash used for operating activities during the eleven months ended December 31, 2007 was \$1,332,719 (January 31, 2007 – \$61,031) after adjusting for the non-cash activities. Cash flows from financing activities for the eleven months ended December 31, 2007 were \$14,214,302 compared to \$6,331,917 for the year ended January 31, 2007, as the Company completed a private placement, convertible note and exercise of stock options. Investing activities for the eleven months ended December 31, 2007 was \$9,966,916 (January 31, 2007 – \$7,866,626)

As at December 31, 2007, the Company had total assets of \$45,501,911 as compared with \$28,866,715 at January 31, 2007. Resource properties amounted to \$8,888,592 (January 31, 2007 – \$3,955,000) and deferred exploration costs to \$29,918,050 (January 31, 2007 – \$23,391,394) at the year end. At December 31, 2007, the Company had total current liabilities of \$1,640,182 (January 31, 2007 – \$907,863) including \$174,367 (January 31, 2007 – \$133,707) due to related parties for reimbursable expenses, director and board committee fees and management fees and \$980,473 due to joint venture partners (January 31, 2007 – \$577,175).

During the eleven months ended December 31, 2007 the Company incurred \$6,526,656 of deferred exploration expenditure on its mineral properties as compared to \$7,866,626 during the year ended January 31, 2007. The Company purchased capital assets of \$2,355,435 (January 31, 2007 – Nil) for an advanced diamond exploration program.

OTHER INFORMATION

Outstanding share data

The Company is authorized to issue an unlimited number of common shares without par value. As at **April 29, 2008** there were 297,810,818 common shares outstanding.

Off balance sheet arrangements

The Company does not have any off-balance sheet arrangements and does not contemplate having them in the foreseeable future.

Related party transactions

During the eleven months ended December 31, 2007, the Company incurred billings of \$403,542 (January 31, 2007 – \$239,996) from related parties for management fees, directors fees and professional services. All transactions with related parties have occurred in the normal course of operations. As at December 31, 2007, the amount due to related parties totals \$174,367. These balances have no fixed terms of repayment and have arisen from the accrued provision of services referred to above and reimbursable expenses.

Disclosure controls and procedures

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Management is also responsible for the design and maintenance of effective internal control over financial reporting to provide reasonable assurance regarding the integrity and reliability of the Company's financial information and the preparation of its financial statements in accordance with the Canadian generally accepted accounting principles. Management maintains appropriate information systems, procedures and controls to ensure integrity of the financial statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.

Management of the Company, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls and procedures of our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Mano River have been detected.

However, given the nature of the business and geographical displacement, the management is committed to continuously mitigate any risks and systematically improve operating controls where and when possible in the cost effective manner.

As at December 31, 2007, management recognized the limitation of segregation of duties due to the size of the organization. The management is mitigating such risks by introducing compensatory controls to detect and remediate control deficiencies.

OUTLOOK

The planned listing of Stellar at the end of Q2 2008 would be a defining event for the Company and create transparency as to Mano's valuation. The delay in the listing has been bought about by the downturn in the financial markets. The Group will still retain a significant stake in Stellar post listing.

In the gold division, the Company reviewed its approach to NLGM and the current drill programme will confirm the potential for increasing the resource. When confirmed, the objectives will be to upgrade the current 1.4M oz resource to Measured category and define a new substantial resource in the Indicated category. Following this, a new feasibility study will be prepared with the objective of taking NLGM to a production decision. The Board now has the skills to take projects like NLGM into production with a Chairman that has proven experience in successfully bringing developments to fruition and a mining engineer as CEO.

On the Putu iron ore project, the Company made the decision in Q3 to purchase its own rig from Canada to assist the drilling contractors. A 4,000m drilling programme has started and initial results will be available towards the middle of 2008. The renewal of the licence is scheduled for May 2008 and it is the intention of the Company to apply for a 25 year Mineral Development Agreement. The Company is targeting a resource of 900Mt at Putu.

The Board is considering all options for taking the Company forward including Corporate deals. The Company will need to raise further funding in order to progress its value creation strategy and implement its operational objectives at Putu and NLGM.

On Behalf of the Board,
MANO RIVER RESOURCES INC.



Luis G. Cabrita da Silva, President

Auditors' report

Deloitte & Touche LLP

2800 – 1055 Dunsmuir Street 4
Bentall Centre
P.O. Box 49279
Vancouver BC V7X 1P4
Canada
Tel: 604-669-4466
Fax: 604-685-0395
www.deloitte.ca

To the Shareholders of Mano River Resources Inc.

We have audited the consolidated balance sheets of Mano River Resources Inc. (the "Company") as at December 31, 2007 and January 31, 2007 and the consolidated statements of income (loss) and comprehensive income (loss), shareholders' equity, and cash flows for the eleven months ended December 31, 2007 and for the year ended January 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and January 31, 2007 and the results of its operations and its cash flows for the eleven months ended December 31, 2007 and for the year ended January 31, 2007 in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants
April 29, 2008

Consolidated statements of income (loss) and comprehensive income (loss)

Eleven months ended December 31, 2007 and year ended January 31, 2007
(Stated in U.S. dollars)

| | Eleven months ended December 31 2007 \$ | Year ended January 31 2007 \$ |
|---|---|---|
| Expenses | | |
| Professional fees | 958,629 | 408,080 |
| Depreciation | 353,315 | |
| Management fees | 283,753 | 105,500 |
| Foreign exchange loss (gain) | 226,868 | (126,677) |
| Stock-based compensation | 190,003 | 513,361 |
| Interest on convertible debenture | 181,296 | - |
| Unrealized loss on convertible debt | 168,130 | - |
| Directors fees | 122,789 | 35,800 |
| Transfer agent and filing fees | 99,560 | 67,979 |
| Administrative and office expenses | 63,236 | 8,747 |
| | 2,647,579 | 1,012,790 |
| Dilution gain on shares issued by controlled company | (6,207,005) | - |
| Interest income | (148,041) | (53,181) |
| | (6,355,046) | (53,181) |
| Income (loss) before non-controlling interest | 3,707,467 | (959,609) |
| Non-controlling interest | 310,175 | - |
| Net income (loss) and comprehensive income (loss) | 4,017,642 | (959,609) |
| Basic and diluted earnings per share | 0.01 | - |
| Basic and diluted weighted average number of shares outstanding | 297,256,188 | 262,728,613 |

See accompanying notes to the consolidated financial statements.

Consolidated balance sheets

as at December 31, 2007 and January 31, 2007
(Stated in U.S. dollars)

| | December 31 2007 \$ | January 31 2007 \$ |
|---|---------------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 4,100,187 | 1,185,520 |
| Accounts receivable | 296,591 | 88,864 |
| Due from joint venture partners (Note 4) | 112,281 | 61,847 |
| | 4,509,059 | 1,336,231 |
| Investments (Note 5) | 184,090 | 184,090 |
| Property, plant and equipment (Note 6) | 2,002,120 | – |
| Resource properties (Note 7) | 8,888,592 | 3,955,000 |
| Deferred exploration costs (Note 7) | 29,918,050 | 23,391,394 |
| Total assets | 45,501,911 | 28,866,715 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 1,010,169 | 196,981 |
| Interest payable on convertible debenture (Note 8) | 181,296 | – |
| Due to related parties (Note 11) | 174,367 | 133,707 |
| Due to joint venture partners (Note 4) | 274,350 | 577,175 |
| | 1,640,182 | 907,863 |
| Convertible debenture (Note 8) | 2,260,738 | – |
| Total liabilities | 3,900,920 | 907,863 |
| Non-controlling interest (Note 12) | 7,147,317 | – |
| Shareholders' equity | | |
| Share capital (Note 9) | 34,596,114 | 34,158,278 |
| Equity component of convertible debenture (Note 8) | 2,637,802 | – |
| Share subscriptions | – | 788,461 |
| Contributed surplus | 1,904,465 | 1,714,462 |
| Accumulated other comprehensive loss | (21,755) | (21,755) |
| Deficit | (4,662,952) | (8,680,594) |
| Total shareholders' equity | 34,453,674 | 27,958,852 |
| Total liabilities, non-controlling interest and shareholders' equity | 45,501,911 | 28,866,715 |

Nature of operations and continuation of business (Note 1)

Approved by the Board



Luis da Silva, Director



Bevan J. Metcalf, Chief Financial Officer

See accompanying notes to the consolidated financial statements.

Consolidated statements of cash flows

Eleven months ended December 31, 2007 and year ended January 31, 2007
(Stated in U.S. dollars)

| | Eleven months ended December 31 2007 \$ | Year ended January 31 2007 \$ |
|--|---|---|
| Operating activities | | |
| Net income (loss) | 4,017,642 | (959,609) |
| Items not involving cash: | | |
| Dilution gain on shares issued by controlled company | (6,207,005) | – |
| Non-controlling interest | (310,175) | – |
| Stock-based compensation | 190,003 | 513,361 |
| Interest on convertible debenture | 181,296 | – |
| Unrealized loss on convertible debt | 190,003 | – |
| Depreciation of fixed assets | 353,315 | – |
| Change in non-cash working capital items | | |
| Accounts receivable | (207,727) | (41,230) |
| Due from joint venture partners | (353,259) | 309,996 |
| Accounts payable and accrued liabilities | 107,065 | 116,451 |
| | (2,038,842) | (61,031) |
| Investing activities | | |
| Resource properties | | |
| Deferred exploration expenditures | (7,611,481) | (7,866,626) |
| Purchase of capital assets | (1,649,312) | – |
| | (9,260,793) | (7,866,626) |
| Financing activities | | |
| Issuance of share capital, net of share issue costs | 437,836 | 5,514,791 |
| Share subscriptions | – | 788,461 |
| Convertible debenture | 4,641,860 | – |
| Cash acquired on consolidation of subsidiary | 1,571,438 | – |
| Proceeds from issue of shares of subsidiary | 7,522,508 | – |
| Due to related parties | 40,660 | 28,665 |
| | 14,214,302 | 6,331,917 |
| Net cash inflow (outflow) | 2,914,667 | (1,595,740) |
| Cash, beginning of period | 1,185,520 | 2,781,260 |
| Cash, end of period | 4,100,187 | 1,185,520 |

Supplemental disclosure of non-cash financing and investing activities

- (1) During the eleven months ended December 31, 2007, the Company issued 2,100,000 common shares on exercise of stock options at a price of Cdn\$0.11 per share and 100,000 common shares at a price of Cdn\$0.10 per share.
- (2) Issuance of 300,000 common shares of Stellar Diamonds Ltd., a wholly-owned subsidiary, to GAIA Resources Fund Ltd. (a company related to Mano by virtue of director in common) at £1 each for gross proceeds of £300,000 (\$591,140). As at December 31, 2007, the subsidiary's common shares were not yet issued and proceeds received were recorded as share subscriptions.
- (3) Transfer of the diamonds properties which had a book value of \$8,276,081 in exchange of 19,239,541 shares of Stellar Diamonds Ltd.
- (4) Issuance of 2,809,828 shares of Stellar for mineral property interest in the amount of \$4,933,592.

See accompanying notes to the consolidated financial statements.

Consolidated statements of shareholders' equity

Eleven months ended December 31, 2007
(Expressed in U.S. dollars)

| | Common shares | | Contributed surplus | Share sub- scriptions | Equity component of convertible debenture | Accumulated other comprehensive Deficit | income | Total shareholders' equity |
|--|--------------------|-------------------|---------------------|--------------------------|--|--|-----------------|----------------------------------|
| | Number | Amount \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at Jan 31 2006 | 253,418,318 | 28,643,487 | 1,201,101 | - | - | (7,720,985) | (21,755) | 22,101,848 |
| Net loss for the year | - | - | - | - | - | (959,609) | - | (959,609) |
| Cash transactions: | | | | | | | | |
| Private placement at \$0.08 per share | 39,562,500 | 5,502,741 | - | - | - | - | - | 5,502,741 |
| Exercise of options at \$0.086 | 140,000 | 12,050 | - | - | - | - | - | 12,050 |
| | 39,702,500 | 5,514,791 | - | - | - | - | - | 5,514,791 |
| Non-cash transactions: | | | | | | | | |
| Share subscription | - | - | - | 788,461 | - | - | - | 788,461 |
| Stock-based compensation | - | - | 513,361 | - | - | - | - | 513,361 |
| Balance as at Jan 31 2007 | 293,120,818 | 34,158,278 | 1,714,462 | 788,461 | - | (8,680,594) | (21,755) | 27,958,852 |
| Net income for the period | - | - | - | - | - | 4,017,642 | - | 4,017,642 |
| Cash transactions: | | | | | | | | |
| Equity component of convertible debenture | - | - | - | - | 2,637,802 | - | - | 2,637,802 |
| Exercise of options at \$0.093 | 4,690,000 | 437,836 | - | - | - | - | - | 437,836 |
| | 4,690,000 | 437,836 | - | - | 2,637,802 | - | - | 3,075,638 |
| Non-cash transactions: | | | | | | | | |
| Share subscription | - | - | - | (788,461) | - | - | - | (788,461) |
| Stock-based compensation | - | - | 190,003 | - | - | - | - | 190,003 |
| Balance at Dec 31 2007 | 297,810,818 | 34,596,114 | 1,904,465 | - | 2,637,802 | (4,662,952) | (21,755) | 34,453,674 |

See accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements

1. NATURE OF OPERATIONS

Mano River Resources Inc. ("Mano River" or "the Company") commenced operations on July 10, 1996 and is engaged in the acquisition, exploration and development of gold, iron ore and diamond properties. The Company is in the development stage and has no source of cash flows other than loans from related parties, equity offerings and convertible debentures.

These consolidated financial statements are prepared on a going concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. The Company's ability to continue on a going concern basis depends on its ability to successfully raise additional financing. If the Company cannot obtain additional financing the Company may be forced to realize its assets at amounts significantly lower than the current carrying value.

Uncertainty also exists with respect to the recoverability of the carrying value of certain resource properties. The ability of the Company to realize on its investment in resource properties is contingent upon resolution of the uncertainties and continuing confirmation of the Company's title to the resource properties.

In August 2007, the Company announced its intention to change its fiscal year end from January 31 to December 31, effective as of December 31, 2007. Accordingly, for the new 2007 fiscal period, the Company has reported its annual consolidated financial statements for the eleven month period ended December 31, 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP") and reflect the following significant accounting policies. The United States dollar has been identified as the Company's currency of measurement and is used for external reporting purposes.

(a) Principles of consolidation

These financial statements include the accounts of Mano River Resources Inc. and its principal subsidiaries, Mano Gold Investments Ltd. (formerly Mano River Resources Ltd.) (including sub-group Mano River Iron Ore Holdings Ltd.), and Mano Diamonds Ltd. These financial statements also include a number of subsidiaries as detailed in the following list:

Notes to the consolidated financial statements (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

| Company | Place of incorporation | Percentage ownership |
|--|---------------------------------|----------------------|
| Mano Gold Investments Limited (formerly Mano River Resources Limited) and its subsidiaries: | | |
| British Virgin Islands | | 100.0% |
| Golden Limbo Rock Resources Limited and its subsidiary: | Tortola, British Virgin Islands | 100.0% |
| Golden Limbo Rock Resources SA | Conakry, Guinea | 100.0% |
| Golden Leo Resources Limited and its branch: | Tortola, British Virgin Islands | 100.0% |
| Golden Leo Resources Limited (Sierra Leone Branch) | Freetown, Sierra Leone | 100.0% |
| North West Minerals Ltd. | Mahe, Republic of Seychelles | 100.0% |
| Mano Gold (Liberia) Ltd. (formerly Lofa Goldiam, Inc.) and its subsidiary: | Tortola, British Virgin Islands | 100.0% |
| Bea Mountain Mining Corporation | Monrovia, Liberia | 100.0% |
| Mano Nickel Corporation Ltd. | Mahe, Republic of Seychelles | 100.0% |
| Mano Diamonds Limited and its subsidiaries: | Tortola, British Virgin Islands | 100.0% |
| Friendship Diamonds Guinée S.A. | Conakry, Guinea | 70.0% |
| Stellar Diamonds Limited and its subsidiaries: | Guernsey | 68.5% |
| Diamants du Congo Oriental Ltd. | Tortola, British Virgin Islands | 100.0% |
| Western Mineral Resources Corporation Inc. and its subsidiary: | Tortola, British Virgin Islands | 100.0% |
| Western Mineral Resources Corp. (Liberia) | Monrovia, Liberia | 100.0% |
| Alpha Minerals Inc. | Monrovia, Liberia | 100.0% |
| Weasua Diamonds Ltd and its subsidiary: | Mahe, Republic of Seychelles | 50.0% |
| Kpo Resources Inc. | Monrovia, Liberia | 100.0% |
| Mano Diamonds (Liberia) Inc. | Monrovia, Liberia | 100.0% |
| Basama Diamonds Ltd and its branch: | Mahe, Republic of Seychelles | 49.0% |
| Basama Diamond Ltd Sierra Leone Branch | Freetown, Sierra Leone | 100.0% |
| Sierra Diamonds Limited and its branch: | Tortola, British Virgin Islands | 100.0% |
| Sierra Leone Diamonds Limited Sierra Leone Branch | Freetown, Sierra Leone | 100.0% |
| Mano Diamonds Sierra Leone Ltd. | Freetown, Sierra Leone | 100.0% |
| Guinean Diamond Corporation Ltd. and its subsidiaries | Mahe, Republic of Seychelles | 100.0% |
| Mano River Diamants Guinee S.A. | Conakry, Guinea | 100.0% |
| Ressources Mandala Guinée S.A. R.L. | Conakry, Guinea | 100.0% |
| East Sierra Diamonds Ltd and its branch: | Mahe, Republic of Seychelles | 100.0% |
| East Sierra Diamonds Ltd. Sierra Leone Branch | Freetown, Sierra Leone | 100.0% |
| Mandiamo Ltd. | Mahe, Republic of Seychelles | 100.0% |
| Mano River Iron Ore Holdings Ltd. and its subsidiary: | | 100.0% |
| African Iron Ore Ltd. and its subsidiaries: | Tortola, British Virgin Islands | 80.0% |
| Mano River Iron Ore Ltd. and its subsidiary: | Tortola, British Virgin Islands | 100.0% |
| Mano River Iron Ore (Liberia) Inc. | Monrovia, Liberia | 100.0% |
| Mano River Iron Ore (Guinea) Ltd. | Tortola, British Virgin Islands | 100.0% |

African Iron Ore Ltd. is 80% owned by Mano. One-half of the remaining 20% is held by Eastbound Resources Ltd., a company controlled by a director of the Company.

The financial statements of entities which are controlled by the Company through voting equity interests, referred to as subsidiaries, are consolidated. Variable interest entities ("VIEs"), which include, but are not limited to, special purpose entities, trusts, partnerships, and other legal structures, as defined by the Accounting Standards Board in Accounting Guideline ("AcG") 15, Consolidation of Variable Interest Entities ("AcG 15"), are entities in which equity investors do not have the characteristics of a "controlling financial interest" or there is not sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. VIEs are subject to consolidation by the primary beneficiary who will absorb the majority of the entities' expected losses and/or expected residual returns. As of December 31, 2007, the Company does not hold an interest in any VIEs.

All intercompany balances and transactions have been eliminated upon consolidation.

The shares not legally owned by the Company in the listed subsidiaries, other than African Iron Ore (Liberia) Ltd., are held by one third party company. This third party has no beneficial interest in the shares and is holding the shares for the Company's benefit until the Company and the third party agree on their ultimate distribution. As the Company retains the beneficial interest in these shares no non-controlling interest exists with respect to these shares at December 31, 2007 or January 31, 2007.

(b) Non-controlling interests

Non-controlling interests exist in less than wholly-owned subsidiaries of the Company and represent the outside interest's share of the carrying values of the subsidiaries. When the subsidiary company issues its own shares to outside interests, a dilution gain or loss arises as a result of the difference between the Company's share of the proceeds and the carrying value of the underlying equity.

(c) Cash and cash equivalents

Cash and cash equivalents include cash, and those short-term money market instruments that are readily convertible to cash with an original term of less than 90 days.

(d) Property, plant and equipment

Property, plant and equipment is comprised of office furniture, automobiles and various equipment used in the field, that are stated at cost and amortized at 30% per annum on a declining balance basis.

(e) Resource properties and deferred exploration costs

The Company follows the method of accounting for its mineral properties whereby all costs related to acquisition, exploration and

development are capitalized by property. The carrying value of pre-production and exploration properties is reviewed periodically and either written off when it is determined that the expenditures will not result in the discovery of economically recoverable mineral reserves or transferred to producing mining property, plant and equipment when commercial development commences.

The recoverability of amounts shown for pre-production and exploration properties is dependent upon the discovery of economically recoverable mineral reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to finance the development of the properties and on the future profitable production or proceeds from the disposition thereof.

The success and ultimate recovery of the Company's exploration costs of its mineral exploration properties is influenced by significant financial risks, legal and political risks, commodity prices, and the ability of the Company to discover economically recoverable mineral reserves and to bring such reserves into future profitable production.

(f) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant balances and transactions affected by management estimates include the valuation of investments, resource properties, deferred exploration costs, future income tax and stock-based compensation. Actual results could differ from those estimates.

The amounts used to estimate fair values of stock options issued are based on estimates of future volatility of the Company's share price, expected lives of the options, expected dividends to be paid by the Company and other relevant assumptions.

By their nature, these estimates are subject to measurement uncertainty and the effect of changes in such estimates on the consolidated financial statements of future periods could be significant.

(g) Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution by including other common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period. Options and warrants as disclosed in Note 6 are anti-dilutive and therefore have not been taken into account in the per share calculations.

Notes to the consolidated financial statements

(continued)

(h) Foreign currency translation

The Company's foreign currency transactions and the financial position and results of operations of the Company's integrated subsidiaries are translated into U.S. dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the rate in effect at the balance sheet date. Other balance sheet items, revenues and expenses are translated at the rates prevailing on the respective transaction dates.

(i) Stock-based compensation

The Company follows Canadian Institute of Chartered Accountants Handbook Section 3870, **Stock-Based Compensation**, which requires that all stock-based awards made to non-employees and employees be measured and recognized using a fair value based method. Accordingly, the fair value of options at the date of grant is accrued and charged to operations, with an offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(j) Joint ventures

The Company has entered into certain joint venture agreements whereby the Company earns or allows a third party to earn an interest in certain mineral properties. These joint venture agreements generally provide for the acquiring party to incur exploration costs to earn an interest. Currently the joint ventures in which the Company has an interest are used to hold the property interest solely; certain have operations or exploration programs conducted by the joint venture.

(k) Income taxes

The Company accounts for income taxes whereby future income tax assets and liabilities are computed based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values using the substantively enacted income tax rates at each balance sheet date. Future income tax assets also result from unused loss carryforwards and other deductions. The valuation of future income tax assets is reviewed annually and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

(l) Adoption of new accounting standards and accounting pronouncements

On February 1, 2007, the Company retrospectively adopted, without restatement of prior periods, the recommendations included in the following sections of the Canadian Institute of Chartered Accountants Handbook: Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, **Financial Instruments – Recognition and Measurement**, Section 3861, **Financial Instruments – Disclosure and Presentation**, and Section 3865, **Hedges**.

Section 1530, **Comprehensive Income**, is the change in the Company's net assets that results from transactions, events and

circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net loss such as unrealized gains or losses on available-for-sale investments, gains or losses on certain derivative instruments and foreign currency gains or losses related to self-sustaining operations. The Company's comprehensive income, components of other comprehensive income, and accumulated other comprehensive income are presented in the statements of comprehensive income and the statements of shareholders' equity. Amounts previously recorded in "cumulative translation adjustment" have been reclassified to "accumulated other comprehensive income".

Section 3855, **Financial Instruments – Recognition and Measurement**, establishes standards for classification, recognition, measurement, presentation and disclosure of financial instruments (including derivatives) and non-financial derivatives in the financial statements. This standard requires the Company to classify all financial instruments as either held-to-maturity, available-for-sale, held-for-trading, loans and receivables or other financial liabilities. Financial assets and liabilities held-for-trading will be measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading will be measured at amortized cost. Available-for-sale investments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. The standard also permits the designation of any financial instrument as held-for-trading upon initial recognition.

The Company has implemented the following classification of its financial assets and financial liabilities:

- Cash is classified as held-for-trading;
- Accounts receivables, due from and due to joint venture partners are classified as "loans and receivables" and are measured at amortized cost using the effective interest rate method. At December 31, 2007, the recorded amount approximates fair value;
- Long-term investments are classified as "available-for-sale"; and
- Short-term and long-term liabilities and accounts payable are classified as "other financial liabilities" and are measured at amortized cost using the effective interest rate method. At December 31, 2007, the recorded amount approximates fair value.

Transaction costs directly attributable to the acquisition or issue of a financial asset or financial liability are included in the carrying amount of the financial asset or financial liability, and are amortized to income using the effective interest rate method.

Derivatives may be embedded in other financial instruments (host instruments). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host instrument, the terms of the

embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not classified as held for trading. These embedded derivatives are measured at fair value on the balance sheet with subsequent changes in fair value recognized in income. The Company selected February 1, 2007 as its transition date for embedded derivatives. The Company has not identified any embedded derivatives that are required to be accounted for separately from the host contract.

Section 3865, **Hedges**, sets out standards under which hedge accounting can be applied and how hedge accounting should be executed for each of the permitted hedging strategies, including fair value hedges, cash flow hedges, and hedges of a foreign currency exposure of a net investment in a self-sustaining foreign operation. The Company does not have any derivatives that qualify as hedging instruments.

(m) Recent accounting pronouncements

(i) Section 1400, General Standards of Financial Statement Presentation

In June 2007, the CICA amended Section 1400 to include requirements to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. This new requirement will be effective January 1, 2008. The Company does not anticipate any impact to its consolidated financial statements arising from the accounting pronouncement.

(ii) Financial instrument disclosures

As of January 1, 2008, the Company will be required to adopt two new CICA standards, Section 3862, **Financial Instruments – Disclosures**, and Section 3863, **Financial Instruments – Presentation**, which will replace Section 3861, **Financial Instruments – Disclosure and Presentation**. The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements. The new financial instruments presentation and disclosure requirements were issued in December 2006 and the Company is assessing the impact on its consolidated financial statements.

(iii) Capital disclosures

As of January 1, 2008, the Company will be required to adopt CICA Section 1535, **Capital Disclosures**, which will require companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements. The new capital disclosure requirements were issued in December 2006 and the Company is assessing the impact on its consolidated financial statements.

(iv) Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, **Goodwill and Intangible Assets**, replacing Section 3062, **Goodwill and Other Intangible Assets**, and Section 3450, **Research and Development Costs**. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This Section is effective in the first quarter of 2009, and the Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

(v) Convergence with International Financial Reporting Standards

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being evolved and converged with International Financial Reporting Standards ("IFRS") over a transitional period to be complete by 2011. The official changeover date from Canadian GAAP to IFRS is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. As the International Accounting Standards Board currently has projects underway that should result in new pronouncements and since this Canadian convergence initiative is very much in its infancy as of the date of these statements, the Company has not yet assessed the impact of the ultimate adoption of IFRS on its consolidated financial statements.

3. INVESTMENT IN STELLAR DIAMONDS LIMITED

During the eleven months ended December 31, 2007 Mano River completed the launch of a new diamond company, Stellar Diamonds Limited ("Stellar"), to maximize the value of its diamonds properties. In exchange for the diamond properties which had a book value of \$8,276,081, the Company received 19,239,541 shares of Stellar. The exchange was recorded at book value as it was a transaction between companies under common control. The Company also recognized a recovery relating to the sale of 5.93% of its interest on consolidation of Stellar in the amount of \$1,084,825. In addition, during the period Stellar entered into private placements with unrelated parties and issued 8,843,762 shares for a total value of \$15,000,029, resulting in a dilution gain in the amount of \$6,207,005, which was recognized in the consolidated statements of income for the eleven months ended December 31, 2007. Stellar is a 68.5% owned subsidiary controlled by the Company and the results of operations and assets and liabilities have been consolidated with the accounts of the Company with effect from the date of acquisition.

Notes to the consolidated financial statements (continued)

4. DUE TO JOINT VENTURE PARTNERS

During the eleven months ended December 31, 2007, the Company incurred exploration expenditures on behalf of joint venture partners who are required to fund the exploration expenditures to earn their interest in a group of gold and diamond properties in Sierra Leone and Liberia. As at December 31, 2007 the amount due from the joint venture partners is \$112,281 (\$61,847 as at January 31, 2007). In addition, other joint venture partners, Petra Diamonds Ltd. and Trans Hex Group., incurred costs on behalf of the Company. The amount due to these joint venture partners as at December 31, 2007 was \$274,350 (January 31, 2007 – \$577,175).

5. INVESTMENTS

| | December 31 2007 \$ | January 31 2007 \$ |
|----------------|---------------------------|--------------------------|
| Mifergui-Nimba | 184,090 | 184,090 |

The Mifergui-Nimba investment consists of 8,654 shares representing a 3.7% interest in a Guinean company that holds an interest in a mining licence over a Guinean iron ore property. The investment is considered an "available for sale" financial instrument, which is recorded at cost as Mifergui-Nimba is a private company with no quoted market price for its shares. Management has reviewed the carrying value at December 31, 2007 and do not consider that there has been any indication of impairment.

6. PROPERTY AND EQUIPMENT

| | Cost \$ | December 31 2007 Accumulated Depreciation \$ | December 31 2007 Net book value \$ |
|-------------------------|------------|---|---|
| Machinery and equipment | 2,355,435 | 353,315 | 2,002,120 |

7. RESOURCE PROPERTIES AND DEFERRED EXPLORATION COSTS

| | December 31 2007 \$ | January 31 2007 \$ |
|---|---------------------------|--------------------------|
| Acquisition costs Liberia, West Africa | | |
| Bea | 210,000 | 210,000 |
| Kpo | 110,000 | 110,000 |
| Sierra Leone, West Africa | | |
| Pampana, Sonfron and Nimini South | 1,695,000 | 1,695,000 |
| Guinea, West Africa | | |
| Missamana/Gueliban | 1,940,000 | 1,940,000 |
| Bou ro/Ma nda la | 4,933,592 | – |
| Closing balances | 8,888,592 | 3,955,000 |
| Deferred exploration costs, by project | | |
| Liberia, West Africa | | |
| Bea – KGL | 12,624,484 | 11,373,310 |
| Kpo | 2,223,124 | 1,759,011 |
| MCA | 3,665,227 | 2,676,519 |
| Putu | 1,730,026 | 477,143 |
| AAR | 388,741 | 238,672 |
| M EA | 60,545 | 59,608 |
| | 20,692,147 | 16,584,263 |
| Sierra Leone, West Africa | | |
| Kono/Nimini Central | 5,232,308 | 3,048,075 |
| Pampana, Sonfon and Nimini South | 1,524,975 | 1,516,016 |
| Tongo and Gola | 323,640 | 31,743 |
| Zim mi/Gorah un | 99,906 | – |
| | 7,180,829 | 4,595,834 |
| Guinea, West Africa | | |
| Missamana/Gueliban | 1,874,833 | 1,871,734 |
| Guinea Iron Ore | 46,500 | 46,500 |
| Bouro | 1,028,442 | 293,063 |
| Druzhba and ex De Beers | 30,136 | – |
| Mandala and Ouria | 69,164 | – |
| | 3,049,075 | 2,211,297 |
| Democratic Republic of Congo | | |
| Socerdemi/REMEC | 80,824 | – |
| Recovery relating to sale of mineral property on consolidation of Stellar | (1,084,825) | – |
| Closing balances – see Schedule | 29,918,050 | 23,391,394 |

Notes to the consolidated financial statements (continued)

7. RESOURCE PROPERTIES AND DEFERRED EXPLORATION COSTS (continued)

As mentioned in Note 3, during the eleven months ended December 31, 2007, the Company completed a reorganization of its diamond assets consisting of the following transactions:

- (a) pursuant to a share purchase agreement between Stellar Diamonds and Mano Diamonds Limited ("Mano Diamonds"), a wholly-owned subsidiary of the Company, Mano Diamonds transferred its diamond interests in Liberia and Sierra Leone including a 49% interest in the Kono project, to Stellar Diamonds, and in consideration Stellar Diamonds issued 15,442,021 of its shares to Mano Diamonds;
- (b) pursuant to a second share purchase agreement among Stellar Diamonds, Mano Diamonds and two arm's length parties, Searchgold Resources Inc. ("Searchgold") and Siafa Koulibaly ("Koulibaly"), Searchgold, Mano Diamonds and Koulibaly transferred their Guinean diamond interests consisting of a 100% interest in the Bouro/Mandala alluvial property to Stellar Diamonds, and in consideration Stellar Diamonds issued 2,672,629 of its shares to Searchgold, 2,678,117 of its shares to Mano Diamonds, and 137,199 of its shares to Koulibaly. The exchange was recorded at book value as it was a transaction between companies under common control; and
- (c) pursuant to an assignment agreement between the Company and Stellar Diamonds, the Company transferred certain contractual rights to a Guinean diamond exploration database that it had obtained under an agreement with Societe Debsam Guinee Sarl (a subsidiary of DeBeers) dated September 7, 2007 to Stellar Diamonds and in consideration Stellar Diamonds issued up to 1,119,403 of its shares to the Company. The exchange was recorded at book value as it was a transaction between companies under common control.

In addition, during the period Stellar entered to private placements with unrelated parties and issued 8,843,762 shares for a total value of \$15,000,029, resulting in a dilution gain in the amount of \$6,207,005, which was recognized in the consolidated statements of income and comprehensive income for the eleven months ended December 31, 2007.

| Properties | January 31 2007 \$ | Additions \$ | December 31 2007 \$ |
|---|--------------------------|------------------|---------------------------|
| Gold | | | |
| Liberia, West Africa | | | |
| Bea Gold | 11,373,310 | 1,248,824 | 12,622,134 |
| MEA | 59,608 | 937 | 60,545 |
| | 11,432,918 | 1,249,761 | 12,682,679 |
| Sierra Leone, West Africa | | | |
| Sonfon gold | 1,161,878 | – | 1,161,878 |
| Pampana gold | 242,232 | – | 242,232 |
| Nimini gold | 111,906 | 8,959 | 120,865 |
| | 1,516,016 | 8,959 | 1,524,975 |
| Guinea, West Africa | | | |
| Missamana/Gueliban | 1,871,734 | 3,099 | 1,874,833 |
| | 14,820,668 | 1,261,819 | 16,082,487 |
| Diamond | | | |
| Liberia, West Africa | | | |
| MCA | 2,676,518 | 988,709 | 3,665,227 |
| KPO Diamonds | 1,759,012 | 464,112 | 2,223,124 |
| Bea Diamond | – | 2,350 | 2,350 |
| AAR | 238,672 | 150,069 | 388,741 |
| | 4,674,202 | 1,605,240 | 6,279,442 |
| Sierra Leone, West Africa | | | |
| Nimini-Kono Central | 3,048,075 | 2,184,233 | 5,232,308 |
| Tongo and Gola | 31,743 | 291,897 | 323,640 |
| Zimmi/Gorahun | – | 99,906 | 99,906 |
| | 3,079,818 | 2,576,036 | 5,655,854 |
| Guinea, West Africa | | | |
| Bouro | 293,063 | 735,379 | 1,028,442 |
| Druzhba/ex De Beers | – | 30,136 | 30,136 |
| Mandala/Ouria | – | 69,164 | 69,164 |
| | 293,063 | 834,679 | 1,127,742 |
| Democratic Republic of Congo | | | |
| Socerdemi, REMEC | – | 80,824 | 80,824 |
| Recovery relating to sale of mineral property on consolidation of Stellar | – | (1,084,825) | (1,084,825) |
| | 8,047,083 | 4,011,954 | 12,059,037 |
| Iron ore | | | |
| Liberia, West Africa | | | |
| Putu | 477,143 | 1,252,883 | 1,730,026 |
| Guinea, West Africa | | | |
| Guinea iron ore | 46,500 | – | 46,500 |
| | 523,643 | 1,252,883 | 1,776,526 |
| Total | 23,391,394 | 6,526,656 | 29,918,050 |

Notes to the consolidated financial statements (continued)

7. RESOURCE PROPERTIES AND DEFERRED EXPLORATION COSTS (continued)

(a) Liberia, West Africa

The Company holds two mineral development agreement (“MDA”) licences in Liberia for gold and diamond development. These MDAs are in Western Liberia and consist of the Bea Mountains and Kpo Range and are valid for 25 years with an option to renew for another 25 years. Both these MDAs are dated November 28, 2001 and were approved on March 14, 2002. The MDAs will allow the Company to conduct pre-feasibility work and bankable feasibility work including, if required, pilot mining.

On April 22, 2004 the Company executed a Mineral Cooperation Agreement with the Ministry of Lands Mines and Energy granting exploration rights over a 15,000 square kilometers licence in western Liberia. The effective operational date for the three year licence was January 22, 2005, which can be extended by two years at Mano’s option. During the first half of 2007 the Company reduced its holding down to 11,550 square kilometres. Subsequently, at the end of the MCA tenure the Company submitted an application to convert 3,000 square kilometres to a Mineral Exploration Agreement (MEA) with the balance being relinquished. This application is currently with the Ministry of Lands, Mines and Energy. Mano is not aware of any adverse impact on the licence, political or otherwise.

The Company acquired one Mineral Exploration Agreement (“MEA”) licence on May 18, 2005, which is valid for five years and covers 425 square kilometers centered over the Putu iron ore prospect in eastern Liberia.

(i) Trans-Hex Joint Venture

On June 6, 2002, the Company signed a heads of agreement for the creation of a diamond exploration and development joint venture (“JV”) in Liberia with Trans Hex Group Limited (“THG”) of South Africa. The full JV agreement was subsequently signed on October 12, 2006.

The JV will focus on advancing the cluster of diamondiferous kimberlite pipes discovered by Mano within the area designated in its 25 year MDA licence, which covers a 200 square kilometer area of the Kpo Range in western Liberia. THG has earned a 50% indirect interest in the MDA through Weasua Diamonds Ltd., by completing an exploration and evaluation program involving a total expenditure of approximately \$2 million. Exploration continues to be jointly funded by the joint venture partners. At Stellar’s option, THG may be granted the right to sole fund the feasibility study and construction, to the start of production from one or more kimberlites, in order to earn an additional 19% interest in the MDA. As at December 31, 2007, Trans-Hex has earned 50% interest and is the operator of the joint venture.

(ii) AAR Joint Venture

On March 23, 2005, the Company signed a Joint Venture (“JV”) agreement with African Aura Resources (“AAR”) targeting diamonds over an area of 400 square kilometers held by AAR in western Liberia.

The JV agreement entitles Mano to earn up to a 78% interest in the diamond rights of the property through the completion of a four-year, four-phase exploration program comprising:

Phase 1: Mano will commit to a minimum expenditure of \$112,500 and make a cash payment to AAR of \$12,500, and upon completion of this phase of work will have earned the right to proceed to Phase 2.

Phase 2: Within a period of 12 months complete an exploration program involving minimum expenditure of \$500,000 and make a cash payment to AAR of \$25,000. Upon completion of this phase, Mano will have earned a 46% equity interest in the diamond rights of the property. This phase is ongoing and African Aura Resources granted Mano an extension in order to complete this phase of work.

Phase 3: Mano may elect to increase its interest in the diamond rights of the property to 64% through financing the completion of a bulk sampling program within a further period of 12 months and make a cash payment to AAR of \$25,000.

Phase 4: Mano can increase its interest in the diamond rights of the property to 78% through sole funding a feasibility study over one or more kimberlites considered to have economic potential, within a further period of 12 months and make a cash payment to AAR of \$25,000.

Upon completion of the feasibility study, AAR may grant Mano the option to sole fund mine construction, which will result in Mano’s interest in the diamond rights of the property rising to 90%. The Government of Liberia will have a 10% free carried interest in the mining venture, as stipulated by the mining law, and AAR will retain a 2.25% gross profits royalty on project diamond sales.

(b) Sierra Leone, West Africa

The Company holds nine prospecting licences and an exclusive reconnaissance licence for diamonds, gold and base metals in Sierra Leone. The licences are located throughout the eastern and northern provinces of the country and consist of Sonfon, Sierra Leone South East, Pampana South, Pampana North, Pampana North East, Nimini Central, Nimini South, Njaiama and Yengema.

(i) Petra Diamonds Joint Venture

On September 10, 2004, the Company and Petra Diamonds (“Petra”) entered into a joint venture for the production of diamonds from the underground mining of diamond-bearing kimberlite dykes (the “Lion” dykes) defined within Mano’s three

contiguous licence areas (Yengema, Njaiama and Nimini South) that cover 260 square kilometers in the Kono diamond district ("Kono Licences") of Sierra Leone.

Under the terms of the agreement Petra will earn a 51% interest in Mano's 100% owned subsidiary, Basama Diamonds Ltd., by spending \$3 million over three years. As at December 31, 2007, Petra has earned this interest and is the operator of the joint venture.

(ii) BHP Billiton Joint Venture

On May 7, 2004, the Company signed a memorandum of agreement ("MoA") with BHP Billiton to explore for diamonds and other minerals over its 9,700 square kilometers Regional Exclusive Prospecting Licence ("REPL") in the South Eastern quadrant of Sierra Leone.

The MoA commits the partners to concluding a full joint venture agreement once the first phase of a four-phase exploration and development program has been completed as follows:

Phase 1: Commit to a minimum expenditure of \$800,000 to earn the right to proceed to Phase 2.

Phase 2: A minimum expenditure of \$2,572,000. Upon completion of this phase BHP Billiton will earn a 51% equity interest in the project.

Phase 3: Subject to satisfactory results, BHP Billiton may elect to earn an additional 19% through financing the completion of a pre-agreed feasibility program, over one or more kimberlites considered to have economic potential, within three years of completion of Phase 2.

Phase 4: At Mano's option, BHP Billiton can earn an additional 10% through financing to completion of mine construction. Mano may elect, however, to co-finance Phase 4 and maintain the project equity at BHP Billiton 70% and Mano 30%.

Subsequent to December 31, 2007, BHP Billiton joint venture was terminated. As part of the termination agreement the Company retained 100% of the property and charged deferred exploration costs for \$291,897, the funds which were due from the joint venture partner at termination.

(iii) Golden Star Joint Venture

On November 24, 2003, the Company signed a comprehensive letter of agreement ("LoA") with Golden Star Resources ("GSR"), which contains all the main terms of a joint venture covering three licence packages ("the Joint Venture Licences") within the highly prospective greenstone gold bearing belts in Sierra Leone.

Under the terms of the LoA, GSR can earn a 51% interest in the gold rights of the licences currently held by Mano through its subsidiary, Golden Leo Resources Limited, as follows:

1. Pampana North, Pampana South and Pampana North East Licences;
2. Sonfon North and Sonfon South Licences; and
3. Nimini Central and Nimini South Licences.

The LoA provides for a 60 day period for due diligence and the completion of the full joint venture agreement. Under the proposed joint venture, GSR will make an investment of \$6 million over a staged five year period in order to earn a 51% interest in the Joint Venture Licences, earning a final interest of up to either 71% or 85% if Mano does not co-fund respectively the feasibility study nor mine development.

The main terms of the LoA are as follows:

Stage 1: GSR commits to spend a minimum \$1,000,000 by December 31, 2004, to earn the right to proceed to Stage 2. No interest is earned by GSR at the end of this stage. A decision to proceed with the next stage was made by December 31, 2004.

Stage 2: GSR commits to spend up to \$1,750,000 on the project by December 31, 2006, with Mano operating an agreed program. No interest earned by GSR. A decision to proceed with the next stage must be made by December 31, 2006.

Stage 3: GSR is committed to spend a further \$2,500,000 on the project and may elect to manage and operate at the beginning of this stage. The expenditure must be completed by December 31, 2007.

Upon completion of this stage GSR will have earned a 51% interest in the Nimini and Sonfon Licences, subject to having expended a minimum of \$2 million and \$1.5 million, respectively, on these two projects.

Stage 4: GSR may spend a further \$750,000 on the Pampana Licences by December 31, 2008 to earn a 51% interest. A decision to proceed with this stage must be made by December 31, 2007. At the end of this stage GSR will have earned a 51% interest in the Pampana Licences.

Within 120 days of completing Stage 3 in the case of the Nimini and Sonfon Licences, and Stage 4 in the case of the Pampana Licences, GSR may elect to proceed to a feasibility study ("FS") for any or all of the projects. Mano has the right to elect to contribute pro rata to the FS to retain its 49% equity. If it decides not to do so, GSR may sole-fund the FS to earn a further 14% interest, thereby taking its equity to 65%.

Golden Star has terminated the two Nimini licences from the agreement and the Pampana licence. In a letter dated May 11, 2007, Mano agreed to a 12 month extension to the period for the completion of Stage 3 expenditures, i.e. to December 31, 2008, now focused on the Sonfon licences. Therefore GSR will have a total of 24 months to complete Sonfon phase 3.

Notes to the consolidated financial statements (continued)

7. RESOURCE PROPERTIES AND DEFERRED EXPLORATION COSTS (continued)

Upon completion of a positive FS on any or all of the projects GSR may elect to proceed to mine development. Mano has the right to contribute pro rata to any mine development to retain its 49% interest or dilute to either a 15% or 29% free carried interest depending on its earlier elections to co-fund the feasibility study and mine construction. Mano will also retain a 2% net smelter return ("NSR") royalty on production in excess of the first 1 million ounces of gold from each project.

(c) Guinea, West Africa

The Company holds 498 square kilometers of exploration permits in eastern Guinea through the contiguous Missamana and Gueliban properties.

The Company acquired three contiguous exclusive exploration licences on May 6, 2005, which cover a total of 405 square kilometers centered over the diamond producing town of Bouro in the Kerouane district of south eastern Guinea.

(i) SearchGold Joint Venture

On January 26, 2006, the Company entered into a 50/50 Joint Venture ("JV") with SearchGold Resources ("SearchGold") in Guinea. The objective of the JV is to rapidly establish alluvial diamond production on the Mandala property of SearchGold, whilst conducting bulk sampling to determine the economic potential of Mano's adjacent high-grade Bouro kimberlite dykes. A budget of \$4.2 million was assigned for the first operating year program required (2007 and 2008), to be funded equally by Mano and SearchGold.

Under the JV, a two-pronged program will be undertaken consisting of systematic delineation and bulk sampling of the Bouro kimberlite dykes, with particular priority emphasis on the Bouro North dyke, which Mano considers to have the highest grade potential based on work to date. This dyke has a strike length of 5 kilometers, established by field mapping, drilling and geophysics.

During the eleven months ended December 31, 2007, the Company's majority owned subsidiary Stellar Diamonds acquired the interests consisting of a 100% interest in the Bouro/Mandala alluvial property.

(ii) Navasota Joint Venture

On July 27, 2004, the Company and its subsidiary signed a Letter of Agreement with Navasota Resources Ltd., for Navasota to acquire up to a 60% interest in Mano's Missamana and Gueliban gold licences.

Pursuant to the Letter of Agreement between Navasota and Mano, Navasota may earn an initial 51% interest in the properties by spending \$125,000 over the first 12 months which

Mano will match (Phase 1) and spending an additional \$1,375,000 over a 24 month period following the completion of Phase 1 (Phase 2). Navasota may, at its option, acquire a further 9% by:-spending a further \$500,000 over a 12 month period following the completion of Phase 2 (Phase 3). Phase 1 has been completed and Navasota are being granted a 12 month extension to complete Phase 2, on the understanding it commences work in the third quarter of 2007. During the eleven months ended December 31, 2007, the Navasota joint venture was terminated.

(iii) De BEERS Joint Venture

On September 7, 2006, an Agreement was signed with the De Beers subsidiary, DEBSAM GUINEA, under which Mano gained exclusive access for 18 months to a diamond exploration database for Guinea assembled by DEBSAM over the previous 13 years. In the event of a discovery which is subsequently put into production by Mano, DEBSAM will have the right to a production royalty or back-in rights if the scale of the project exceeds a threshold of US\$70 million revenue per year. In March 2008, the exclusive access to the diamond exploration database expired. The Company had not recognized any value for these licences.

(d) Democratic Republic of Congo

(i) BHP Billiton Joint Venture

On December 4, 2007, Stellar Diamonds Ltd. ("Stellar"), the Company's subsidiary, signed a memorandum of understanding with BHP Billiton over exploration licences covering 10,852 square kilometres in the north of the Democratic Republic of Congo.

The licences are subject to an existing option agreement between BHP Billiton and Socerdemi SPRL, a Congolese registered company which holds the licences.

The memorandum of understanding entitles Stellar to earn 50 per cent of the BHP Billiton entitlement in the project. Under the option agreement, BHP Billiton has the right to either enter into a JV with Socerdemi and earn an 85-per-cent participating interest through financing exploration to completion of a feasibility study, or elect to purchase from Socerdemi 100 per cent of the licences at any time during the five years option period by paying to Socerdemi \$100,000 (U.S.). Socerdemi would then retain a 2-per-cent net profits royalty in any future diamond sales, which can equally be bought out by BHP Billiton for \$500,000.

8. CONVERTIBLE DEBENTURE

On September 27, 2007 the Company entered into convertible subscription agreements to raise £2.3 million (\$4,641,860) with certain lenders. The convertible debenture is repayable on August 1, 2010 and bear interest at 9% per annum. The principal amount is convertible by the holders into common shares of the Company at a conversion price of £0.14 per share at any time prior to maturity. Alternatively, the Company has the option to demand the conversion after a period of three years, if the common shares of the Company have traded at an average 30% premium to the conversion price for a minimum period of 21 trading days previous to the conversion date.

The convertible debenture issued has been segregated into its debt and equity components. The financial liability component, representing the value allocated to the liability at inception, is recorded as a long-term liability. The remaining component, representing the value ascribed to the holders' option to convert the principal balance into common shares, is classified in shareholders' equity as "Equity component of convertible debenture". These components have been measured at their respective fair values on the date the convertible debenture was originally issued.

As the debentures are convertible into common shares at the option of the holder, they have been accounted for in their component parts. The Company has determined the fair value of the liability to make future payments of principal and interest to be \$2,260,738 and the fair value of the holders' conversion option to be \$2,637,802. The fair value of the conversion option was based on using the Black-Scholes option pricing model with the following assumptions: no dividends were paid, a weighted average volatility of the Company's share price of 172%, a weighted average annual risk free rate of 4.64% and an expected life of three years. The residual was allocated to the debt.

During the eleven months ended December 31, 2007, the Company incurred interest expense relating to the debentures of \$181,296. As at December 31, 2007 the entire balance remained payable as the payment date had not yet been achieved.

9. SHARE CAPITAL

(a) Authorised

Unlimited number of common shares without par value

(b) Issued

During the eleven months ended December 31, 2007:

- (i) the Company issued 2,000,000 common shares on exercise of stock options at a price of Cdn\$0.11 per share and 100,000 common shares at a price of Cdn\$0.10 per share. Cash proceeds of \$198,276 for exercise of these stock options were received by the Company on January 31, 2007 and recorded as subscriptions under shareholders' equity; and
- (ii) 590,000 stock options were exercised at a price of Cdn\$0.10 per share and 15,000 options expired unexercised; and 2,000,000 stock options were exercised at a price of Cdn\$0.11 per share and 1,000,000 options expired unexercised. Total option exercise proceeds were \$239,560.

During the year ended January 31, 2007:

- (i) the Company completed a brokered private placement of 39,562,500 common shares at £0.08 each for gross proceeds of £3,165,000 (\$5,852,085). A commission of 4% or £126,600 (\$234,083) of the gross proceeds was paid on the placement as well as a corporate finance fee of £45,000 (\$83,205) and out of pocket expenses of £12,645 (\$23,380) to the broker on closing of the placement. Other financing costs amounted to \$26,400;
- (ii) 140,000 stock options were exercised for proceeds of \$12,050; and
- (iii) the Company entered into private placement of 300,000 common shares of a wholly-owned subsidiary with GAIA Resources Fund Ltd. (a company related to Mano by virtue of director in common) at £1 each for gross proceeds of £300,000. As at January 31, 2007, the subsidiary's common shares were not yet issued and proceeds received were recorded as share subscriptions. Also in January 2007, 2,100,000 stock options were exercised at \$0.11 each. As at January 31, 2007, the Company's shares were not yet issued, and proceeds received were recorded as share subscriptions.

(c) Stock options

The Company has a stock option plan under which directors, officers, consultants and employees of the Company are eligible to receive stock options. The Board of Directors shall determine the terms and provisions of the options at the time of grant. Options under the plan generally have a term of five years and are vested at the date of grant. The exercise price of each option equals the market value of the Company's common shares on the date of grant.

Notes to the consolidated financial statements (continued)

9. SHARE CAPITAL (continued)

A summary of the status of the Company's stock option plan as at December 31, 2007 and January 31, 2007 and changes during the periods then ended are as follows:

| | December 31 2007 | | January 31 2007 | |
|--|----------------------|--|----------------------|--|
| | Number of options | Weighted average exercise price per share Cdn\$ | Number of options | Weighted average exercise price per share Cdn\$ |
| Balance outstanding, beginning of period | 14,980,000 | 0.16 | 13,130,000 | 0.16 |
| Activity during the period | | | | |
| Options granted | 900,000 | 0.23 | 2,980,000 | 0.23 |
| Options exercised | (4,000,000) | 0.11 | (140,000) | 0.10 |
| Options exercised | (690,000) | 0.10 | – | – |
| Options expired | (1,000,000) | 0.11 | – | – |
| Options expired | (225,000) | 0.23 | – | – |
| Options expired | (50,000) | 0.24 | – | – |
| Options expired | (15,000) | 0.10 | (990,000) | 0.22 |
| Balance outstanding, end of period | 9,900,000 | 0.21 | 14,980,000 | 0.16 |

As at December 31, 2007 the following stock options were outstanding:

| | Number of stock options outstanding | Exercise price per share Cdn\$ | Expiry date |
|--|---|--------------------------------------|-----------------|
| | 905,000 | 0.100 | August 14, 2008 |
| | 2,720,000 | 0.240 | March 23, 2009 |
| | 2,620,000 | 0.215 | July 25, 2010 |
| | 2,755,000 | 0.230 | July 31, 2011 |
| | 600,000 | 0.230 | March 16, 2012 |
| | 300,000 | 0.230 | May 20, 2012 |
| | 9,900,000 | | |

The weighted average grant date fair value per share of stock options granted in the year ended December 31, 2007 was \$0.21 (2006 – \$0.16) and total stock-based compensation expense for the year was \$190,003 (Jan 31, 2007 – \$513,361). The fair values of these options were determined on the date of grant using the Black-Scholes option pricing model with the following assumptions: no dividends were paid (January 31, 2007 – no dividends), a weighted average volatility of the Company's share price of 146% and 172% (2007 – 134.1%), a weighted average annual risk free interest rate of 3.92% and 4.11% (2007 – 4.103%) and an expected life of five years (2007 – five years).

10. INCOME TAXES

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before tax provision due to the following:

| | December 31 2007 \$ | January 31 2007 \$ |
|---|------------------------------------|--------------------------|
| Statutory tax rate | 34.12% | 35.62% |
| Expected income tax expense (recovery) | 1,370,819 | (328,522) |
| Non-deductible expenses – stock based compensation | 64,829 | 182,859 |
| Unrealized dilution gain on shares issued by subsidiary company | (2,117,830) | – |
| Tax losses not recognized in the period that the benefit arose | 682,182 | 145,663 |
| | – | – |

The approximate tax effect of each type of temporary difference that gives rise to the Company's future tax assets are as follows:

| | December 31 2007 \$ | January 31 2007 \$ |
|------------------------------|------------------------------------|--------------------------|
| Operating loss carryforwards | 2,008,940 | 1,367,354 |
| Less: Valuation allowance | (2,008,940) | (1,367,354) |
| | – | – |

The Company has reduced the value of the potential future income tax asset to \$Nil through the application of a valuation allowance as the Company does not have any current source of income to which the tax losses can be applied.

At December 31, 2007, the Company had the following loss carry forwards available for tax purposes:

| | Amount \$ | Expiry |
|---------|--------------|-------------|
| Country | | |
| Canada | 3,623,648 | 2008 - 2027 |

Notes to the consolidated financial statements (continued)

11. RELATED PARTY TRANSACTIONS

The following table summarizes the Company's related party transactions for the period:

| | December 31 2007 \$ | January 31 2007 \$ |
|--|---------------------------|--------------------------|
| (a) incurred management services fees with a company related by a director in common | 95,000 | 105,500 |
| (b) incurred management fees by directors | 188,753 | – |
| (c) incurred directors fees | 119,789 | 35,800 |
| (d) incurred professional services with a law firm in which a director of the Company is a principal | – | 98,696 |

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

At the end of the period, the amounts due to related entities are as follows:

| | December 31 2007 \$ | January 31 2007 \$ |
|------------------------|---------------------------|--------------------------|
| Director's companies | 154,414 | 76,509 |
| Various directors | 19,953 | 46,306 |
| Director's partnership | – | 10,892 |
| | 174,367 | 133,707 |

These balances are payable on demand and have arisen from the provision of services referred to above.

12. NON-CONTROLLING INTEREST

| | Mano Ownership % | Carrying value of net equity | December 31 2007 \$ |
|-----------------------|---------------------|---------------------------------|------------------------|
| Stellar Diamonds Ltd. | 68.51 | 21,597,518 | 6,801,312 |
| African Iron Ore Ltd. | 80.00 | 1,730,025 | 346,005 |
| | | | 7,147,317 |

(a) As described in Note 3, the Company transferred its diamonds properties which had a book value of \$8,276,081 to Stellar in exchange of 19,239,541 shares of Stellar. The exchange was recorded at book value as it was a transaction between companies under common control. After that, Stellar completed two private placements in order to raise funds to finance the development of its diamond interests. The private placements took place in two tranches. In the first tranche 1,211,890 shares were issued at an effective price of £0.87 per share. 918,484 of those shares were issued for cash consideration, raising proceeds of £800,000 (US\$1,571,438), while the remaining 293,406 shares were issued to the subscribers in consideration for forfeiture of certain benefits as a result of the diamond reorganization. In the second tranche 4,822,044 shares were issued at a price of £0.87 1 per share for proceeds of £4,200,000 (US\$8,611,361). In addition, the Company issued 2,411,022 warrants with two year term and exercise price of £1.20 pence per share as well as 260,390 adviser's options with a two year term and exercise price of £0.871 per share. As a result of these shares issuances by Stellar, the Company recorded a dilution gain of \$6,207,005. Gains on shares issued by affiliated companies arise when the ownership interest of the Company in a controlled entity is diluted as a result of shares issuances of the investee company. The Company does not receive any cash proceeds (nor is required to make any payments) from these transactions

(b) African Iron Ore Ltd., the holding company for the Company's iron ore interests, is 80% owned by Mano. One-half of the remaining 20% is held by Eastbound Resources Ltd., a company controlled by a director of the Company.

13. SEGMENTED INFORMATION

(a) Industry in formation

The Company operates in one reportable operating segment, being the acquisition and exploration and development of resource properties.

(b) Geographic information

Revenues from operations in the eleven months ended December 31, 2007 were derived from interest income of which \$3,951 (January 31, 2007 – \$3,950) was earned in Canada and \$144,090 (January 31, 2007 – \$144,091) was earned in the United Kingdom.

The Company's non-current assets by geographic location are as follows:

| | December 31 2007 \$ | January 31 2007 \$ |
|------------------------------|------------------------------------|--------------------------|
| Liberia | 21,012,147 | 17,481,438 |
| Guinea | 11,024,052 | 4,335,387 |
| Sierra Leone | 8,875,829 | 5,713,659 |
| Democratic Republic of Congo | 80,824 | – |
| | 40,992,852 | 27,530,484 |

14. FINANCIAL INSTRUMENTS

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's financial assets and liabilities are cash, amounts receivable, investments, accounts payable and due to related parties. The fair values of these financial instruments are estimated to approximate their carrying values due to their immediate or short-term nature except for investments whose fair value is not readily determinable. Due to the nature of the Company's operations, there is no significant credit or interest rate risk. As at December 31, 2007, the Company held approximately \$2,191,085 cash in bank accounts denominated in U.K. pounds. The Company has taken no action to reduce its exposure to foreign currency risk.

The Company places its cash and cash equivalents with high credit rated financial institutions.

The Company does not engage in trading or other speculative activities with respect to financial instruments.

15. SUBSEQUENT EVENTS

Subsequent to eleven months ended December 31, 2007:

- (a) In March 2008 BHP Billiton withdrew from the Joint Venture on Togo/Gola. The Company retains 100% of the property. The Company charged the deferred exploration costs for the funds which were due from the joint venture partner on termination.
- (b) On January 29, 2008 the Company granted incentive stock options to certain directors, employees and consultants to purchase up to an aggregate of 9,045,000 common shares in the share capital of the Company exercisable for a period of five years at a price of Cdn\$0.20 per share.
- (c) On March 31, 2008, the Company reported that its majority owned subsidiary Stellar Diamonds has completed a non-brokered private placement of 2,375,000 new ordinary shares of 1 pence each in Stellar at 100 pence per share, raising gross proceeds of £2.375 million

Notes to the consolidated financial statements

(continued)

Consolidated schedules of deferred exploration costs as at December 31, 2007 and January 31, 2007
(Stated in U.S. dollars)

| | Bea \$ | MCA \$ | Putu \$ |
|--|------------|-----------|------------|
| Assays and geochemical | 92,203 | 29,231 | 391 |
| Communications | 12,925 | 20,416 | 969 |
| Community relations | - | - | - |
| Consultants | 122,534 | 36,654 | 96,381 |
| Data, images, reports and maps | 4,200 | - | - |
| Drilling | 166,658 | - | 690,344 |
| Feasibility | 4,992 | - | - |
| General operating costs | 96,379 | 76,305 | 96,693 |
| General field costs | 86,282 | 74,376 | 86,562 |
| Geologists' support | 38,610 | 23,997 | 9,272 |
| Geophysics including imagery | 6,889 | 5,875 | 2,973 |
| Infrastructure | 104,239 | 632 | 3,935 |
| Licenses and permit fees | 19,768 | 144,035 | 46,506 |
| Metallurgy | 14,887 | - | - |
| Exploration advances | - | - | - |
| Project/field office costs, other | 116,991 | 84,445 | 43,471 |
| Reconnaissance and geochemical | - | 56,225 | 8,028 |
| Recovered expenses | - | (71,180) | - |
| Rehabilitation | 11,998 | 637 | 7,584 |
| SA&T – selection, acquisitions and permits | - | 12,995 | 15,500 |
| Salaries and wages | 246,689 | 329,225 | 69,341 |
| Subsistence | 12,829 | 40,077 | 13,672 |
| Transportation, including vehicles | 92,101 | 124,763 | 61,261 |
| Recovery relating to sale of mineral property on consolidation of Stellar (Note 3) | - | - | - |
| Net expenditures during the year | 1,251,174 | 988,708 | 1,252,883 |
| Balance, beginning of year | 11,373,310 | 2,676,519 | 477,143 |
| Balance, end of year | 12,624,484 | 3,665,227 | 1,730,026 |

| | Bea \$ | MCA \$ | Putu \$ |
|--|------------|-----------|------------|
| African Aura Resources JV | - | - | - |
| Assays and geochemical | 202,216 | 31,591 | 943 |
| Communications | 21,903 | 12,051 | 1,625 |
| Community relations | 35,373 | 3,522 | 1,189 |
| Consultants | 74,894 | 25,376 | 139,348 |
| Data, images, reports and maps | 26,636 | 95 | 300 |
| Drilling | 1,049,173 | 87,451 | 12,481 |
| Feasibility | 1,167,598 | - | - |
| General operating costs | 662,251 | 140,406 | 58,431 |
| Geologists' support | 64,387 | 30,997 | 9,506 |
| Infrastructure | 5,755 | 3,216 | 39,160 |
| Licenses and permit fees | 19,768 | 136,000 | 46,506 |
| Metallurgy | 379,253 | - | - |
| Petra Joint Venture exploration expenditures | - | - | - |
| Project/field office costs, other | 75,002 | 53,571 | 4,419 |
| Reconnaissance and geochemical | 246,018 | 87,715 | 6,065 |
| Recovered expenses | (81,217) | (31,248) | - |
| Salaries and wages | 342,356 | 240,630 | 18,403 |
| Subsistence | 34,458 | 17,882 | 11,687 |
| Transportation, including vehicles | 167,333 | 114,643 | 46,910 |
| Net expenditures during the year | 4,493,157 | 953,898 | 396,973 |
| Balance, beginning of year | 6,880,153 | 1,722,621 | 80,170 |
| Balance, end of year | 11,373,310 | 2,676,519 | 477,143 |

| | | | | | December 31 2007 |
|---------|-----------|-------------|---------|-------------|---------------------|
| AAR | Bouro | Kono/Nimini | REPL | Other | |
| \$ | \$ | \$ | | \$ | \$ |
| - | | - | 6,194 | 2,103 | 130,122 |
| 908 | | - | 1,954 | - | 37,172 |
| - | 4,298 | - | 3,386 | 1,839 | 9,523 |
| - | 377,166 | - | 57,676 | 31,867 | 722,278 |
| - | - | - | - | 140 | 4,340 |
| - | - | - | 160,007 | - | 1,017,009 |
| - | - | - | - | - | 4,992 |
| 11,582 | 84,021 | 168,570 | - | 68,616 | 602,166 |
| 10,368 | 146,412 | 57,731 | - | 48,941 | 510,672 |
| 4,532 | 245 | - | 121 | 955 | 77,732 |
| 2,022 | 19,639 | - | - | 7,595 | 44,993 |
| - | - | - | - | - | 108,806 |
| 24,769 | 11,218 | 18,258 | - | 80,505 | 345,059 |
| - | - | - | - | - | 14,887 |
| - | - | 1,939,674 | - | 396,228 | 2,335,902 |
| 3,688 | 6,892 | - | 14,228 | 43,881 | 313,596 |
| 2,710 | - | - | - | - | 66,963 |
| - | - | - | - | - | (71,180) |
| - | - | - | - | - | 20,219 |
| - | - | - | - | - | 28,495 |
| 77,570 | 59,472 | - | 38,203 | 39,642 | 860,142 |
| 3,095 | 5,752 | - | 3,252 | 7,582 | 86,259 |
| 8,825 | 20,264 | - | 6,876 | 27,244 | 341,334 |
| - | - | - | - | (1,084,825) | (1,084,825) |
| 150,069 | 735,379 | 2,184,233 | 291,897 | (327,687) | 6,526,656 |
| 238,672 | 293,063 | 3,048,075 | 31,743 | 5,252,869 | 23,391,394 |
| 388,741 | 1,028,442 | 5,232,308 | 323,640 | 4,925,182 | 29,918,050 |

| | | | | | January 31 2007 |
|---------|---------|-------------|--------|-----------|--------------------|
| AAR | Bouro | Kono/Nimini | REPL | Other | |
| \$ | \$ | \$ | | \$ | \$ |
| 25,000 | - | - | - | - | 25,000 |
| 47,954 | 387 | - | - | - | 283,091 |
| 79 | 312 | - | - | 146 | 36,116 |
| 140 | - | - | - | - | 40,224 |
| - | 72,428 | - | - | - | 312,046 |
| 175 | - | - | - | - | 27,206 |
| - | - | - | - | - | 1,149,105 |
| - | - | - | - | - | 1,167,598 |
| 29,918 | 22,720 | 6,684 | - | 15,466 | 935,876 |
| 3,925 | - | - | - | - | 108,815 |
| - | - | - | - | - | 48,131 |
| - | - | - | - | 5,146 | 207,420 |
| - | - | - | - | 22,780 | 402,033 |
| - | - | 2,174,627 | - | - | 2,174,627 |
| 2,789 | 781 | - | - | 4,076 | 140,638 |
| 4,110 | - | - | - | 28,054 | 371,962 |
| - | - | - | - | - | (112,465) |
| 51,208 | 14,254 | - | - | 10,089 | 676,940 |
| 1,794 | 2,051 | - | - | 610 | 68,482 |
| 36,166 | 7,262 | - | - | 8,642 | 380,956 |
| 203,258 | 120,195 | 2,181,311 | - | 95,009 | 8,443,801 |
| 35,414 | 172,868 | 866,764 | 31,743 | 5,157,860 | 14,947,593 |
| 238,672 | 293,063 | 3,048,075 | 31,743 | 5,252,869 | 23,391,394 |

Notes:

Corporate Data

Registrar and Transfer Agent (Canada)

Computershare Investor Services Inc.
4th Floor, 510 Burrard Street, Vancouver, British Columbia
Canada V6C 3B9

Registrar and Transfer Agent (United Kingdom)

Computershare Investor Services Inc.
The Pavilions, Bridgewater Road, Bristol BS99 7NH, United Kingdom

Legal Counsel (Canada)

Axium Law Corporation
Suite 3350, Four Bentall Centre
P.O. Box 49222, 1055 Dunsmuir Street, Vancouver, British Columbia
Canada, V7X 1L2

Legal Counsel (United Kingdom)

Blake, Cassels & Graydon LLP
10 Lloyd's Avenue, 7th Floor, London, EC3N 3AX, United Kingdom

Auditor

Deloitte & Touche LLP, Chartered Accountants
Suite 2800, Four Bentall Centre
P.O. Box 49279, 1055 Dunsmuir Street, Vancouver, British Columbia
Canada, V7X 1P4

Financial Advisers

GMP Securities Europe LLP
4 Albermarle Street, London W1S 4GA, United Kingdom

Nominated Advisers

Panmure Gordon (UK) Ltd.
Moorgate Hall, 155 Moorgate, London EC2M 6XB, United Kingdom

Public Relations

Pelham PR
No 1 Cornhill, London EC3V 3ND, United Kingdom

Listing

TSX Venture Exchange ("TSX-V")
Alternative Investment Market of the London Stock Exchange ("AIM")
Symbol: TSX-V – "MNO"/AIM – "MANA"



Registered Office: Mano River Resources Inc.
Suite 3350 – 1055 Dunsmuir Street
PO Box 49222, Four Bentall Centre
Vancouver, BC Canada V7X 1L2

Head Office: Mano River Resources Inc.
Suite 600 – 890 West Pender Street
Vancouver, BC Canada V6C 1J9

London Branch: Mano River Resources Inc.
32 Bloomsbury Street
London WC1B 3QJ
Telephone: 0207 299 4212
Fax: 0207 299 4209
Email: info@manoriver.com